Avenue Supermarts Limited

Annual Analyst Meet Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to Avenue Supermarts Limited Annual Analyst Meet. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rushabh Ghiya. Thank you, and over to you, sir.

Rushabh Ghiya: Thank you, Avirat. Good morning, all. Welcome to our Annual Investor and Analyst Conference Call for 2026. I have on call with me Mr. Anshul Asawa, our MD & CEO; Mr. Ramakant Baheti, Group CFO; Mr. Niladri Deb, CFO, Avenue Supermarts Limited; and Mr. Vikram Dasu, CEO, Avenue E-commerce Limited. We hope that you've had a chance to look at the presentation, which was uploaded last week on the exchanges as well as on our website.

As always, we will start the call with Anshul briefly taking you through the presentation, and post that, we will open the Q&A session for everyone. Before that, I would just like to draw your attention to the safe harbor statement for good governance and will then hand over the call to Anshul. Thank you. Over to you, Anshul.

Anshul Asawa: Good morning, everyone, and a very warm welcome to our Annual Analyst Call. This is my first call with all of you since formally stepping into the CEO and MD role. I've been looking forward to today, not just to share where we are, but also to hear your thoughts and answer some of your questions.

Over the past one year, I have now spent a lot of time on the ground, visiting our stores, distribution centers across various cities, and therefore getting to know our teams, our vendors, and also our customers. Now, it was really helpful for me because we had a well-planned transition that gave me the time to truly absorb the culture and principles that make DMart special. It also gave me space to step back and reflect on where we need to take DMart next.

And so therefore, before we dive into the slides of the presentation that Rushabh was speaking about, I'd like to share a few thoughts on my reflections. First of all, the fundamentals of this business I find are rock solid. The model that this business has of providing everyday low price through an everyday low-cost operation isn't just a strategy, but it also has become its moat and will continue to protect us for years to come.

The operational discipline and the customer-first mindset are non-negotiable for this organization, and the values this company was built on will need to stay intact. What I see ahead of us is, of course, a massive opportunity to scale this proven model into many more cities. So yes, store expansion is going to be the key. But as we grow, we also need to keep pushing for sharper execution and operational rigor.

All of you know that retail is all about execution, plain and simple. And to support a much bigger footprint of DMart, we will be investing heavily in building management bandwidth and capabilities across all levels of the organization. Another big priority for me will be modernizing our technology and data stack.

We will be upgrading key systems so that we can run tighter operations and use our data, which we have a lot of, much more effectively across our categories, store operations, and supply chain. So to sum up, our foundational principles aren't changing, but we will definitely be stepping up our game across technology, execution, and expansion as we prepare for a much larger footprint in the years ahead.

So I would now move to the business presentation. Hopefully, you've had a copy. So if you see the first slide, our category contributions over the last year have remained pretty steady. We've seen a slight dip in non-food and a marginal increase in food, but our garments and apparel business has remained stable, and we are happy with how this business is performing.

If you move to the next slide, we are sticking with our cluster-based store opening approach. So last year, we entered five new states, and we also hit the 500-store milestone. So our focus in the coming year would be to now build store density in these new markets while continuing to expand further in our established ones.

Moving to the next slide. I know this particular slide may trigger a lot of questions today, so let me address our approach upfront. We made a conscious choice to double down on DMart Ready in 11 key cities where the vast majority of our online business comes from. We want our team to be laser-focused on proving that we can run a truly sustainable, profitable e-commerce model here. And so to do that, we are improving three main things for our customers.

First one is around assortment. We want to tailor our selection specifically for online buyers, and this, of course, is going to be a continuously evolving feature. Secondly, around the speed of delivery. We want to make sure that we are able to deliver to most of our customers within six hours of their ordering. This offers great convenience especially for our large basket shoppers.

And finally, around user experience. We want to ensure that our digital interface becomes easier and more engaging to shop on for our customers. So we do want to prove that this way of working is sustainable in these 11 cities first, and so we are channeling all our attention and resources in AEL towards this goal.

So moving on to the next slide. Again, this might elicit some questions because some of you might be keen to know what store addition target we are aiming for this year, having reached 500 stores, having opened 85 stores last year. So I do want to state that internally, our benchmarks will remain that we should be opening around 15% of our store base as the number that we want to increase annually.

So that said, however, given the realities of real estate acquisition and the fact that we build our stores, some years this could be a few percentages higher and some it could be a few percentages lower. But our pipeline to build so many stores is strong, and we are confident in maintaining this over the coming years. Wherever it will make strategic sense, we will also remain open to long-term leasing.

So with that context, I will now hand over to our CFO Niladri to walk you through the numbers. I'll join you again for the Q&A in a bit. So over to you, Niladri.

Niladri Deb: Hello, everyone. Good morning to you. So I'm referring to slide number 10, where we see bill cuts. We have a healthy growth reaching close to 40 crore bill cuts in the year gone by. Our like-for-like store growth, which is stores more than two years old, grew about 8.1% for the last year. At the end of March 2026, we had about 20.6 million square feet of retail business area, and our revenue per square foot from all stores put together came in about flat at INR33,422 per square foot.

Moving to slide 11. We reported a turnover of close to INR67,000 crores in the year gone by. EBITDA margin came in at about 7.8%. Profit after tax was about 4.8%, INR3,224 crores of profit, and we generated INR4,168 crores of cash from the operations.

The inventory days went up to 33.2. This is also due to more warehouses that we opened during the year so that we could better service our customers. Days payables remained flat at 7.2, continuing our strategy of paying vendors quickly. Total Debt inched up slightly to INR2,267 crores. This INR2,267 crores also includes debt arising out of AS 116 adjustment. The actual debt, which is net borrowing on the company, is close to INR965 crores as of March 2026 end.

Fixed asset turnover came in at about 3.2 times, and the inventory turnover came at 12.8, which is an outcome of the higher number of inventory days that we're holding, leading to return on net worth coming at about 13.5% during the year and ROCE at about 17.1%, which are slightly lower than what we reported the prior year.

Slide number 13 shows us the split of standalone and consolidated financials for March 2026 year gone by. Sales grew by close to 16%. Gross margin expanded by 16 bps. Employee cost expanded by 27 bps due to the investment in service levels of the business, and other expenses declined by 9 bps, leading to EBITDA which was almost flat at about 7.85%.

PBT came in about 26 bps lower because of the cost increases that we saw in employee cost largely, and PAT came in about 25 bps lower because of the employee cost increase flowing down to PBT. At a consol level, similar performance. Sales grew about 16%, and EBITDA grew about 16%, and PAT grew about 10%.

The key subsidiaries financials: Avenue E-commerce, which is our online business for grocery, so the sales grew about 17%. EBITDA declined by about 43%, so we had a bigger EBITDA drain of 84 bps, and PBT was about 24% lower, at a net loss of INR307 crore. Align Retail, which is the grocery packing business, grew about 16.5%, and PAT grew about 24%.

Avenue Food Plaza, which handles the fast and ready food business that we have in adjacency to each DMart store, grew about 35.5% and returned a PAT of 9%. It had a loss last year because of expansion that we were doing in certain parts of the business, but now it has turned around and is on course to turn in a healthy number. Thank you.

Rushabh Ghiya: So I think with that, what we'll do is we will open the floor for Q&A. We can just pause for a minute and then start.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman: Yes, hi. Good morning, and thanks for the opportunity. So three questions from me, Anshul. Firstly, I would like to understand your perspective on sort of exclusive brands and private labels. Now historically, I know you stated sort of 20-20-20 strategy on private labels, but any change to that since you've taken over? And we see that at least as far as shelf space is concerned, a lot more shelf space being taken by private labels. Is this a concerted effort?

The second question, you talked about more leasing, so if you can just throw a little more light on how economics changes for leasing versus outright purchase, given that these are long-term leases. And then lastly, on the last sort of earnings note, you'd highlighted a slowdown in metros. So just a little more color on what's driving this slowdown. Is it sort of capacity bottleneck, or is it competition from quick commerce or e-commerce, and how you plan to sort of combat that? Thanks.

Anshul Asawa: Thank you, Aditya. Thanks for your questions. So let me take them one by one. Your first question, which is on exclusive brands and private label. I think our strategy or approach has not changed. You know, in the past we have spoken about the 20-20-20 principle. And I think my own personal reflection is that, you know, also given my previous background, that Indian market is still a very brand-conscious market. And so therefore, for any retailer to succeed in this, you know, you need to deliver real value to customers.

Also, as you know, that we are an MRP-driven market, so therefore comparisons are very easy for people to make. And so therefore, you can only give real value when you are able to give, as per our 20-20-20 principle, you know, something where you can give at least a 20% price advantage. You should be able to make, some margin, which in our case we believe should be at least 20% more than the benchmark, and you should have a right to at least get 20% volume share, which basically means that we need to give true value, that's why customers would want to buy from us.

And so therefore, wherever it makes sense for us, wherever we see that there is leverage that we can drive, we are participating and we are, driving that private label business. And we are talking here specifically about FMCG private label because as you possibly know that we do not count in that private label the numbers of our garments and general merchandise, or for that matter, DMart Grocery as well, which as you know, a lot of it sells as our own brand or private label. But coming back to the FMCG private label, so wherever we believe that we can give great value to customers while making, you know, reasonable margin, we would continue to drive that.

Your second question, which is around your observation on shelf space. So I would only say that there is no such conscious effort to try and drive shelf space. A lot of what you see on the shelf in DMart is driven more by customer choice. And so therefore, there isn't any strategy to try and drive a differential piece on private label.

The third question, which is around your point on leasing. So as you know, DMart has always driven the approach of buying the land, building our store, and then driving the business through that. But what we are also realizing is that in certain geographies it may just not be possible to get the land that we need.

And so therefore we are going to be more open to the leasing option as well, provided of course they are long-term leases and provided that they meet our requirements. And so therefore, we'll be open to that as well. And there are certain geographies where we have been driving that, and we'll continue to do that.

In fact, I can possibly share a number also that last year, for example, we now have about 68 stores -- 65 stores which are on long leases. And so therefore, it's not a very small number, it's a reasonable number in the overall store count of 500 plus. So that's on the leasing side.

Now in terms of the financials on how this works versus the owned stores, so I don't think we share that number and declare that publicly. So I'm not going to be able to share that per se with you. But needless to say, I think both these models work well for us. And going forward also, therefore, we will continue to be open to that option.

The last question that you asked around.

Rushabh Ghiya: Niladri had a clarification.

Niladri Deb: We had 68 lease stores. Not 65 but 68.

Rushabh Ghiya: Sorry, so you were right originally.

Anshul Asawa: So, yes, I think I was mentioning 68 lease stores. So that is the right number. Not 65. So we have 68 lease stores. The last question that you had which was on the slowdown in metros. So indeed, I think we are seeing, especially in metros like Mumbai, Bangalore, etcetera, where we have stores which are, one, very old and also very dense, with very high throughputs. And so therefore, to some extent these stores are reaching a saturation point.

So the point that you made around capacity indeed is an issue in many of these stores. And which is where, in some of these cases, we are opening new stores as well, which of course impacts the SSSG because you have another store coming up nearby. But I also think that there is a fair amount of impact also on account of competition, which also is making a dent in some of these stores.

So, a combination of capacity, saturation, high throughput that we are already getting from these stores, plus competition is what to our mind is the reason for some of the large metros to slow down as far as same-store growth is concerned. Aditya, I hope I have answered your questions.

Aditya Soman: Yes, Anshul. Thanks. I'll come back in the queue.

Anshul Asawa: Thanks.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Nuvama Group. Please go ahead.

Abneesh Roy: Thanks. I have two questions. First is if I compare the previous call to now, in terms of competition on the quick commerce, clearly Amazon Now and Flipkart Minutes have picked up. So if you could give overall summary in terms of competition versus last year. Are you seeing a pickup in the FMCG part specifically?

And because earlier your positioning was that clearly everyday low pricing and even in terms of assortment, FMCG companies used to work very closely with DMart, specific packages, specific pack sizes, and specific brand extensions also.

Now when you compare with the dark stores of all these quick commerce, specifically Amazon and Flipkart, given these are new players versus last year, are you seeing a big change in that in terms of your right to win? I understand the pricing bit, but in terms of availability of a lot of these products. So that was my first question.

Anshul Asawa: Okay. Thanks, Abneesh. Thanks for your question. So if I've understood your question correctly, Abneesh, and let me know once I've answered whether I've addressed it. So yes, there are more number of players when it comes to competition this year compared to previous years. But when it comes to, let's say, partnering with our FMCG vendors, is there any shift that we are witnessing in terms of their attention or their focus on DMart as a retailer?

No, there isn't. In fact, I would say that many of them in fact are doubling down. And over the last one year, I've had the opportunity to meet many of our key vendors not just once but twice to discuss how the FMCG businesses of theirs could be driven in DMart.

Now the question that you asked around assortment, I think that has to be an ongoing piece of work that we need to continue to do, which is to try and understand what our shoppers are buying, what they are seeking in a DMart store, and where exactly do we need to get it from.

If it is already successful in general trade, we typically get it from the FMCG companies. If it is kind of picking up in a quick commerce or in e-commerce setup, there again we have ways of understanding what exactly is happening in that space.

And businesses or brands which are becoming big and scaled in these channels, we try and bring to DMart. As you know that we drive a volumes game, so we are not necessarily the place where a completely new brand will get launched. But once a brand is gaining traction, it has got some size, it is something that we are able to very quickly bring in through our FMCG vendors.

And over the last, I would say, couple of years, there are also a fair number of D2C brands as well that we've been able to introduce in our DMart stores based on again the success that they've been able to achieve on the online space.

So Abneesh, I don't see any reason at this point of time to suspect that FMCG companies are not focusing on DMart. I would say in fact they are focusing increasingly on DMart because we have become a very sizable and significant part of their business. In many cases, for example, we are the number one retailer for them as an individual entity.

Abneesh Roy: Sure. That's helpful. My second and last question. So if I see the recent FMCG results, I do see that food companies are growing faster than the HPC. And when I see your slide number 5, again that is coming out very clearly that non-foods has lost some share within your revenue through foods. So I wanted to understand is GST driving because a lot of the GST rate cuts in Q3 happened in foods. Is that the reason you would attribute that to? Or is it just that the recovery in FMCG is more in foods rather than HPC?

Anshul Asawa: So to be honest, Abneesh, I don't see that difference between food and non-food from my perspective. I think the difference that you see in terms of the percentages between last year and this are very marginal and maybe a factor of a little bit of inflation in different categories between foods, non-foods, the mix that we would have sold in these geographies, in these businesses. So we don't see any big difference in terms of how foods and non-foods are playing out on account of GST.

Abneesh Roy: Sure. Thank you. That's all from me. Thank you.

Anshul Asawa: Thanks Abneesh.

Moderator: Thank you. The next question is from the line of Avi Mehta from Macquarie Capital. Please go ahead.

Avi Mehta: Yes, hi team. Thanks a lot for the opportunity. Sir, I first wanted to understand, you know, from the same-store sales growth perspective. Now you did highlight about competition, about the fact that some stores have probably peaked out. Wanted to understand do you see this moving, what is required for it to move back to the double-digit levels that it was doing? And you know, how do you see a path towards that, or has the scale kind of have to be factored in mind? A.

The second bit is on assortment, sir. You know, there on category mix in particular, while I do understand on an annual basis it's flattish, is it possible to see general merchandise share going back to historical levels? And the last bit is on store additions. You know, you did say 68 stores is on lease. Does this proportion need to move up as you look to add 15% store additions? So these are three questions. Thank you, sir.

Anshul Asawa: Yes, thanks. Thanks, Avi. I think on same-store growth, as I've mentioned already, that the reasons are basically on account of maturity of these stores, the fact that they're already quite dense, the throughputs are very high, the footfalls are pretty high as well. And so therefore, the way DMart has always typically approached this is by opening more stores nearby so that some of that pressure could be moved to the other stores.

And so therefore, same-store growth would possibly be hovering more in the range that we are seeing today, and we are not likely to see that go up considerably, all things being constant. I'm referring here to inflation and those types of matters. So I think on SSSG, we should sort of expect especially for our older stores to have that type of a growth level.

When it comes to the second question around assortment and your question on GMA and whether the GMA can move to that historical level. I think we've been maintaining for the last few years that we expect this particular part of the business to be somewhere in that 22% to 23% kind of a range. And it is, as I said earlier also, it is doing quite well compared to our total business.

And so therefore, we are happy with the progress that is being made in both the general merchandise and the apparel business that we have in our stores. So I don't expect it to get to the historical levels, and there is no intent also to drive it to that level because as I said, 22% to 23% contribution would be a good contribution in this space.

Finally, on the store additions, we don't have a number saying that this is the percentage that we would want to get to on lease. As I said, the number that is driving us is that 15% ballpark number on what we want to achieve as store additions on our base. And for that, if for example, we are not able to get an owned land property, then we will move to a lease option if that is something which is meeting our requirements.

So, there isn't a number, but would it go up? Possibly it would because there will be certain cities that we'd want to go to where we might have to go for the lease option, which is always going to be open, if required.

Avi Mehta: Sir, if I may, just on the first part, which is the same-store sales. I do understand, but is the competition from quick commerce, that aspect not kind of peaking out now, and hence that could allow us to kind of move up on the same-store bit? Because you did cite that also as one of the headwinds. Is that the reason?

Anshul Asawa: Yes, I think what might be happening is that some of the customers would be preferring to buy from quick commerce because of the convenience of faster delivery, especially for the lower basket sizes. And so therefore, there could be some impact happening on account of that.

And I'm suspecting that that's not going to change over the next few years. And so therefore, that impact would remain while we of course continue to keep driving our own assortment, our own execution in these older stores while of course continuing to expand into newer geographies and new stores.

Avi Mehta: Got it, sir. I'll come back in the queue for further questions. Thank you very much, sir, for this.

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

Anand Shah: Yes, hi. Hi team. Just a couple of questions. So firstly on the margins part. I mean, we've seen some gross margin improvement happening over the last two, three quarters. So just wanted to understand, one, the driver of this because the mix has broadly remained similar. And even on the margins, I mean, if we look at staff cost, you've seen a lot of increase over the last 12 to 18 months.

I mean, at least from the annual report, I could pick up the staff cost quantum has gone up significantly, almost 40% plus. So are we done with that buildup because our sense is that that may have been front-loaded because of accelerated store expansion? So just wanted your thoughts on the margins and where we see GM and staff cost.

Anshul Asawa: Okay. Maybe I'll ask Niladri to answer this question, and I'll come in later.

Niladri Deb: So, I think the gross margins, if you notice, have just gone up by 16 bps without any appreciable change in the product mix. So this I think is rational for the margins that we make on the business. So as Anshul mentioned earlier, our healthy gross margin is in the range of 14% to 15%, which keeps us very, very competitive, and that's the moat that we look at.

Staff cost, yes, there has been a significant upsizing that we have done for the capability build that we have mentioned earlier. Whether this is the end or not, very difficult to say, but I think we are building the organization for a very large organization size. From that perspective, we think the company can do much better in terms of volumes and turnover, and hence we are building the staff cost ahead of the curve, is how I will put it.

Anand Shah: Got it. Got it. And just a last question from me. I mean, just wanted some thoughts on, I mean, metros you of course highlighted a lot in terms of the matured stores and all. But from, let's say, other towns in Tier 2 and maybe in Tier 1 as well, how are you seeing the throughput ramp up, let's say, for the stores you've seen in the last two years that you opened? And in general, I'm assuming, I mean, quick commerce competition there is less, so there the growth is tracking higher, or how are you seeing it generally play out versus quick commerce?

Anshul Asawa: No, so I think those stores, as we mentioned also, are doing much better versus the metro stores and the older stores. And the throughput and the pickup also in these stores has gone as per our expectations. So we are quite happy with the way the progress is happening in these Tier 1 and Tier 2 cities.

Anand Shah: Got it. But so, I mean, if I have to just call out specifically, then the SSG in those stores would be much better than your company average?

Anshul Asawa: Yes.

Anand Shah: Got it. Got it. Thanks. Thanks a lot. Thank you.

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

Garima Mishra: Yes, thank you so much for the opportunity. Anshul, a question for you. In the annual report, you have highlighted that DMart focuses on bulk procurement and prefers bulk purchase by customers. Is the latter thought still relevant in the context of quick commerce, which is focusing on just the opposite, a higher frequency and low AOV model?

Anshul Asawa: So Garima, I have talked about the bulk purchases that we make from our vendors and also the fact that many of our customers still buy large quantities for their monthly or weekly shopping, especially given that we have large families and a pattern of buying which makes people buy both monthly as well as, of course, on a daily basis for convenience shopping, etcetera.

So our business model is created in such a manner that we will be able to provide a significant amount of value to make that trip worth it for the customer to come to a DMart store. And a significant number of customers actually make that trip and save a significant amount of money in their monthly budget by doing so.

So if I were to sort of just reflect on this, I don't see this going away, Garima. This is likely to continue where people will, of course, at times for sheer convenience want to go to a quick commerce site and order something at 9:00 PM or 10:00 PM or even in the morning. But when it will come to taking the whole month's grocery, or for that matter, even the whole week's grocery, it would make more sense to come to a DMart store and get that significant saving in their basket.

Garima Mishra: All right. Understood. In this context only, is competition from quick commerce having any impact on where you would add new stores? Is it likely that most of incremental stores are added in Tier 2, Tier 3 cities or other large cities where competition from quick commerce is a little lower?

Anshul Asawa: No, so we are not driving it in this manner, to be honest, Garima, because as I mentioned earlier, some of our metro stores, which mature, which become saturated, sometimes require another store nearby for us to be able to cater to all the customers and also reduce the pressure on those stores. So, to a large extent, this will be driven by the opportunity that we see both in metro stores to reduce the pressure on our existing ones, but also the growth opportunity that other stores provide.

As you know, we have a cluster-based approach, so as we get into more geographies, we will try and increase the density of stores in those states, in those markets. That is also another thing that would drive our store expansion strategy. I mentioned that we've entered into four or five states, and so therefore in these four or five states that we entered last year we would be looking at how we could increase our density in these places because that would provide us the operational efficiency to be able to again serve the customers with great value.

So a combination of those. So, it's not as if we are now identifying those markets where quick commerce is not present and hence only opening there. That is not the strategy at all. It is looking at every place, whether it's Mumbai or Bangalore or even Hyderabad, we are looking at opportunities even in these places to open new stores.

Garima Mishra: Very clear. And last question from me. Some view on store-level margins. Now as some of your older stores mature same-store sales growth compresses, but there is an inflation-linked increase in costs every year, and this year we've already seen minimum wage hikes, etcetera. So how do you intend to ensure consistent margin performance of some of these stores?

Anshul Asawa: We don't look at a store level margin in that much detail, and this is not a metric that we chase with our store teams. We look at how we are doing at an overall level, Garima. And as long as we see that the stores are being run in a productive manner, the productivity levels are good, our expenses are in control, and the throughputs are again driving that, we are actually quite okay.

We are indeed seeing some inflation on account of the wage code and also general inflation, but the throughput increase at this point of time that we see from these stores is taking care of some of that. But are we getting into the granularity of each store's P&L and chasing our teams around that? No, we don't do that.

Garima Mishra: Very clear, Anshul. Thank you so much for taking my questions.

Anshul Asawa: Thanks, Garima.

Moderator: Thank you. The next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

Arnab Mitra: Yes, hi team. I had a couple of questions. The first is actually again related to the quick commerce competition you're facing. I just wanted to understand, are you making any changes in your stores, whether it is for service standards or using data from a consumer side, which will help you maintain better share of the consumer wallet in these cities where quick commerce is becoming bigger?

And a related question to that is why is there still -- why do you still want to stick to a slotted six-hour delivery? Is there some consumer insight that six hours is something where the consumer values quite a lot because the service standards obviously have gone up significantly with quick commerce and the expectations of delivery times are now very low? So just wanted to understand this six-hour delivery versus not trying to go for a immediate delivery model even if it's a longer, like 45-50 minutes.

Anshul Asawa: Okay. Thank you, Arnab. Thanks for your questions. So, I think the first one on what are we trying to do against quick commerce in the store. I think the way I would answer this question is that like any other channel, whether it is general trade or other modern trade, quick commerce is also now an important and relevant channel.

We keep scouting and looking for what is scaling up in these channels. And if there is anything which is becoming relevant for our customers, we would want to bring it into a DMart store as well. And we have a model of trying those out in a few stores and seeing whether it is making, it is getting traction and then of course rolling it out fast as well.

So to answer that question, if there is something which is becoming really relevant on quick commerce or GT or any other channel, Arnab, we do scan that, and there are ways of doing it, and then we do bring those in. And there are quite a few examples that we have in our stores over the last few years where we have done that.

We will not, as I said earlier also, we will not be the first place where a new brand will get launched. Once a brand gets scaled, it would be brought in quickly into a DMart store and scaled up. So that is the answer to your first question. The second question around slotted delivery. So

Arnab, here our belief is that there are different types of let's say models in operation at this point of time.

Quick commerce obviously is the one which is going to be spoken about the most, I guess, in this call also. It is a model where we are choosing not to play because we believe that our uniqueness would be in being able to provide tremendous value to those who are planning a purchase for their monthly or fortnightly requirement and they will be fine with a delivery which is under six hours.

It's not that we are saying six hours, it could also be under six hours. So, it is a slotted delivery for a large purchase which also then leads to tremendous value saved for that customer. And we believe that there is a significant number of such customers. What we, however, need to do is to make sure that we are able to serve them in a profitable way.

So Arnab, one of the things that we've chosen, which would be different possibly from other models, is that we've chosen to follow a path where we will grow this business in a responsible way, we'll grow this business in a profitable way, we'll grow this business by serving the needs of those set of customers who are looking for value from a large basket.

Arnab Mitra: Got it. Thanks. That's very helpful. My second question is actually again on the leasing model. So you did mention 68 stores which are now leased. Just wanted to understand of the 85 stores which you added last year, if you could give a number of how many of those stores were leased? Why I'm asking this question is just to understand incrementally is the proportion of leased stores going up, and therefore does it have implications on capex that you need to do now going ahead?

And also given that the lease cost would probably be lying in lease or amortization, and you could correct me if I'm wrong. Is it now more important to look at the EBIT margins rather than EBITDA margins because a lot of the store cost could be incrementally lying down? So just wanted to help on understanding the lease model impact on financials, at least directionally.

Anshul Asawa: So I will take on the first part, Arnab, and then hand over to Niladri. So, when you were talking about how many stores did we add last year and how many of them were leased? So, we had 15 stores added last year, which were on the lease model out of the 85. So slightly more, higher percentage compared to what we have done in the past. 68 in the total base of 500. So, 15 added last year. Niladri?

Niladri Deb: On the financial modeling, Arnab, you're right, the finance and the depreciation cost under AS 116 comes below EBITDA, so you can look at PBT as a fair indicator of the impact of lease cost in the P&L. But as Anshul mentioned, 15 out of 85 is not a very big number to distort the P&L widely. Plus, the lease costs are also amortized over a longer duration of the lease rent, which is a long-duration lease contract, so unlikely to drastically alter the P&L size.

Arnab Mitra: Got it. Thanks so much. If I may ask one last question. In the last 3 quarters, Anshul, what we have seen is growth of 13% in the December quarter, 19% in the March, and 15% in the June quarter. It's been a little volatile by your own standards, which historically were much more closer.

So if anything you could help for us to appreciate this variation that happened in the last 3 quarters' growth, were there any specific factors which happened which could make us understand how these 3 quarters played out?

Anshul Asawa: I think we've been quite transparent, Arnab, in terms of sharing at least the big highlights on each of these quarters. In the quarter where we had the 13% growth, some of that was on account of the deflation that we had in our grocery business, staples business.

When it came to last quarter of the previous financial year, the 19% growth to some extent did get impacted by the panic buying that happened in the month of March, which then had a spillover effect onto the next quarter, which is this last quarter that has just gone by.

So, there are, of course, a few events that have happened and a few conditions that prevailed around inflation or deflation that have resulted into this type of variation that you are talking about. And those have been explained, and those were the main reasons for this difference between 13, 19, and 15.

Arnab Mitra: Got it. Thanks. Thanks so much. That's it from my side. All the best.

Anshul Asawa: Thanks, Arnab.

Moderator: Thank you. The next question is from the line of Nihal Mahesh Jham from HSBC. Please go ahead. Mr. Nihal, your line has been unmuted. Please go ahead with your question. As there is no response, we are moving ahead with the next question. The next question is from the line of Amit Sachdeva from UBS. Please go ahead.

Amit Sachdeva: Hi, good evening and good afternoon, and thank you so much for taking my question. Sir, my question is on network rollout. Thank you for sharing that there's a 15% expansion target and you're open to leasing as well. What I wanted to ask is that this would sort of imply about 75 store run rate and gradually going up.

But is this ambition right in the current context where everybody's trying to grow stores and grow businesses, and can it be 100, 150 as well? Is there a bottleneck in going to that number, or is it something that you want to just feel comfortable with that number?

What I want to ask is that, is there a possibility that the store could be 20,000, not 40,000, and slightly more leased, not owned always, but it is the urgency with which you need to build network would sort of help you capture the value -- the market which is expanding, but then competition is also rising as you rightly say. So is there something rigid about this 15%, or is something that is kind of a goal but it can go up and down? Just want to understand the thought process behind 15%.

Anshul Asawa: Yes. So, I think, you know, this has been spoken about in the past as well where we've tried to give a range, but this time I wanted to be a bit deliberate in terms of saying, internally we go for this 15% number. We plan our land acquisitions, the building of the real estate, the property, all of that on the basis this type of an internal number.

But then on the vagaries of real estate and how things could change because of a variety of factors, sometimes these numbers could be higher, sometimes these numbers could be lower. Last year, for example, to be very honest, we thought that we would be opening lesser number of stores than we eventually ended up opening.

But because we had certain properties that got ready faster than we thought, we decided to open them in the last quarter of the financial year. And so therefore, you had a much higher number reflected in the previous year. So, this all depends on how, as per our business model, stores get ready, the land gets acquired, etcetera.

We have built a team, Amit, such that, it can actually scale more and more number of stores for us in the future. But land acquisition and building a property is always going to be a challenge, and so therefore we do not want to rush into it, and we do want to make sure that whatever we are doing, we are doing properly.

We are building a store as per our requirement, we are building as per the regulatory requirements, and ensuring that we have people staffed in it who can run the store operations as per the DMart ways of working. So yes, there might be a little bit of conservatism according to you, but we want to make sure that when we get the store in a market, we get it right the first time and we are able to scale it as the years pass by.

The option of lease, as I've mentioned already, is always open if we are not able to get land that meets our requirement. This is something which will be, for example, very relevant for a market like NCR where it is always difficult to get an owned property. Or for that matter, in other geographies as well, we are looking at that option. As far as the smaller stores are concerned, if for example that smaller store meets our requirement, we will go for that as well.

So, there is no requirement that we need to necessarily have a 40,000 plus square foot store only. There are examples of where we've gone for lesser square footage too if that meets that market's requirement.

But again, coming back, we believe that going for this kind of a number of 15% provides us the bandwidth to do these stores properly so that we can run the operations as per our DMart ways of working to be able to serve the customers. And if we can achieve that type of target, we'll also be able to get into that good growth band that we would want to have in the medium to long term.

Amit Sachdeva: Got it. That's very helpful. Thank you so much. My second question is on the DMart Ready bit, and I think very clearly as you said that the focus would be on 11 markets and increasing the intensity of service levels to 6 hours and assortment which are suitable to that. So I think seems like a great initiative in my view.

But my questions come from that, is there a change in the way business was done earlier? Would that be an omnichannel approach? Would you build that capability within the store itself, or it would be still a separate thing which is coming from 2 different places? What I want to understand is that why not merge that business with the main store business and see that as a one pin code growth rather than e-commerce being profitable?

I think the -- I see how fungible that two revenue stream could be. And is under the new plan, it is becoming more integrated or still sort of approached as two different set of requirements? Just want to understand is there a change in the thinking there or is more focus in delivering that value?

Anshul Asawa: No, so Amit, there's no change in thinking. If the question is whether there is a plan to integrate AEL with ASL business, so there is no such plan. Because our belief is that the online shopper and the customer that DMart Ready is catering to has some specific needs which are around convenience, which are around assortment that is relevant for them.

And so therefore, I think we'll continue to drive it separately. Integrating with an ASL business, the physical store, is going to be hugely challenging, especially given the kind of intensity that we have in our ASL stores. The throughput, the footfalls, etcetera, would just not allow us to run an omnichannel type of an approach that you are talking about.

So the plan is to keep them separate. I think the only change I would say which might have happened from the past is that we were trying different sets of models when it came to AEL. You know, we are aware of them, we had the pickup points, we had other models also which were being run.

What we are now clear about is that the customer seems to have moved into a delivery type of a model, and so therefore that's where we would put all our focus on, and the others would therefore take a backseat.

Amit Sachdeva: Thank you so much, Anshul. And just finally, if I may ask the last one. I think Arnab asked this question as well that, growth has been bit volatile, and you alluded to it is because of sometime pricing, inflation, deflation impact that kind of revenue trajectory.

So what I want to ask is given we are in a bit of an inflationary environment where pricing across the board FMCG has taken and we see across many SKUs, so would you see that that elements will be more pronounced now and we should be going back to 19%-20% growth rate in the foreseeable?

I'm not asking for guidance, but on the same principle, I'm just saying that was that 15% kind of growth that we saw last quarter, it was a one-off and we should be hoping for higher trajectory structurally, not just cyclically, but would you sort of signal that as well a little bit because given the pricing is becoming part of the equation now?

Anshul Asawa: So look, I can't sort of predict in terms of how inflation or pricing would be. As you know, we basically just pass through whatever pricing that is given to us from our vendors. So, we basically just ensure that the same is passed on whether it is price decrease or deflation or inflation.

And so therefore, whatever gets passed on to us is what will get reflected in our business results as well. But it will be difficult to say what exactly that would mean in terms of actual numbers. But yes, suffice to say that whatever inflation that will be seen in the marketplace will get reflected in our pricing to customers.

Amit Sachdeva: Got it. Thank you so much, Anshul. Thank you so much for taking my questions. All the best.

Anshul Asawa: Thanks, Amit.

Moderator: Thank you. The next question is from the line of Latika Chopra from J.P. Morgan. Please go ahead.

Latika Chopra: Yes, hi. Can you hear me?

Anshul Asawa: Yes, we can. Go ahead, Latika.

Latika Chopra: My first question was, you know, I heard you talk a lot about e-commerce, but I wanted to check if you could share with us some color on underlying operating metrics on high-frequency indicators for the DMart Ready business, maybe in a more -- relatively more mature market like Mumbai for you in terms of AOV or transaction growth.

And also wanted better clarity on how do you sense the QC risk in some of the, you know, whether that risk is more relevant or real for Tier 2 and 3 cities too? Today, are we underestimating that risk for these markets? Something that is bothering us in Tier 1 cities and metros could become a bigger issue in the smaller cities as well. That was the first question.

And the second question was, you know, as you scale up your presence both offline and online, could you call out some of the management leadership changes in your team that you have done over the past one year? Thank you.

Anshul Asawa: So on the first question, Latika, I think some of the metrics that you are talking about unfortunately, we do not disclose those. So, I will not be able to share that. But the question that you asked me around what is happening to Tier 2 and what will happen to quick commerce, etcetera.

So again, I can't really say what will happen to quick commerce because that is something that is for them to drive. Our belief is that, if we can continue to drive our brick-and-mortar business, the way we've driven it in the last couple of decades, which is making sure that these are able to offer everyday low prices to customers on everyday consumption products, we provide a very significant value to the customer and therefore a long-term sustainable business model.

And we need to go to more and more geographies because I think it has been said in the past in these calls as well that the Indian market is still quite a large market, and organized trade at this point in time is still relatively a small fraction of the total business. And so therefore, it will have the opportunity, it will provide the opportunity to all types of channels and business models.

And I think the question to ask in my mind is whether the brick-and-mortar business of DMart can be a sustainable growth model in the long term? And the answer to that we believe is yes, a resounding yes, because it is a profitable model, it is a model which is providing value to customers, it is providing value to vendors. And so therefore, if we can keep driving that well, whether it is in Tier 1 or in Tier 2 or 3 cities, we'll do well.

Now what quick commerce does there in the coming years is for them to decide. The question really will be around the sustainability of anything that we provide to customers, which in our case we believe we will be able to do through everyday low prices.

Latika Chopra: Sure. And could you talk about any key KPIs you track for your e-commerce operations? What -- is it like, you know, currently it is maybe close to EBITDA break-even or slight losses on EBITDA, but what are the key KPIs you will track there? Is it like you would want it to turn profitable first and then scale up, or any color or any thought process that you could share with us?

Anshul Asawa: Yes, so that, Latika, I think I've mentioned saying that we do want to make sure that in these 11 cities, we are able to prove our model, which basically means that we are giving the service that we've promised to the customer around assortment, around delivery time, around the experience, the convenience of shopping on our platform. And the real question for me is that, are we able to do that in a sustainable profitable manner?

And the KPIs that typically the industry would track, we also track internally. It's not as if we do not track any of those, and those are also equally important. But for us, it's also important to understand, whether we will be able to do this business profitably. Because let me be very transparent here.

Over the years, last few years, what we have seen is that as we've tried to expand into more and more cities and geographies, the -- of course, the number of customers acquired were larger, etcetera, but our losses also grew quite significantly. And so therefore, I think the call that we have taken is, we would want to make sure that these losses are reduced significantly and we have a way forward to be able to drive this business more profitably.

Latika Chopra: Understood. And Anshul, at a aggregate consol DMart level, you mentioned that, SSG for the business should hover around current levels, which is hovering between 7%-8%, maybe at that level. Assuming that and you have laid out wage inflation and generally the e-commerce will also come with a cost.

Do you see a potential -- how should one think about the net margin for the business going ahead? Do you see any material downside risk, or you think the business should be able to maintain the margins in the current range?

Anshul Asawa: I think, Latika, again, I think if you look at the financials over the last 5, 6, maybe even 7 or 8 years, our margins have been broadly in that range of 14% to 15% at a gross margin level. And a net margin also, we believe that if we can be around that 5% type of a range, ballpark range, we are quite happy with that. So I don't see any significant material impact that should happen on the net margin front.

And as has been said again in these calls in the past as well, we are not really looking at expanding the margin at the cost of compromising our proposition to customers. And so therefore, 15% kind of a gross margin and let's say around a 5% kind of a net margin should be the North Star for this business even in the future.

Latika Chopra: Understood. And the last one, just repeating my earlier question on, any callouts on your leadership changes or any specific capability build-out that you are particularly focused on? Thank you.

Anshul Asawa: So I think I've already mentioned about the capabilities that we'd want to build. So one is, of course, in a larger organization with many more stores and a more complex organization setup, we would need to keep building capabilities across levels, both at senior management and also at the store levels. We will need to obviously build capabilities in the technology space that I've also called out. So we are looking at bringing in talent in that space as well.

And as far as my own leadership team is concerned, there are some natural progressions that would anyway happen as superannuation happens or some exits happen. So those will all be part of the natural course that we will be taking and informing you as and when they do.

Latika Chopra: Understood. Thank you so much for answering our questions. Wish you the best.

Anshul Asawa: Thank you, Latika. Thanks for your questions.

Moderator: Thank you. The next question is from the line of Jignanshu Gor from Bernstein. Please go ahead.

Jignanshu Gor: Hi, good morning, and thank you for taking my question. My first one was on the employee cost and number. So we've talked about capability building in the employee cost, which I presume explains the significant addition in permanent employee count by almost 4,000 in this year, right, which is the highest ever.

But on the contractual employee side, despite we adding 85 stores, the employee count went up by only 2,200, right, versus an average addition of almost 10,000 in the last 3 years. So how should we think about this? Is there any change in approach of how many employees do we have at the store, etcetera?

Anshul Asawa: Yes, thanks for your question, Jignanshu. Niladri can give you some details here.

Niladri Deb: Yes, on this permanent employee count, what happens, Jignanshu, is that every store that we open needs a cohort of permanent employees to run the store efficiently. So that is about 75%-80% of the head count addition that we have done. So this year, since the head count -- the store count went up, so obviously the permanent head count will go up.

On the non-permanent head count, you're right. There are 2 things that we must keep in mind. One is the position that you are seeing in the BRSR report is a position at a point in time, 31st March to be precise. And secondly, we have driven productivity initiatives for the manpower in the stores as well as the warehouses. So those counts are inclusive of that.

So we have seen some ability for us to do some mechanization, some productivity improvement, which has helped us optimize the head count of the non-permanent side. So that is how we are looking at it. On the absolute number of employee cost per se, there has been a slight impact also of the wage code that we implemented from December 2025 and the March quarter. So that also has contributed to the 33% hike in employee cost in the standalone financials.

Jignanshu Gor: Okay. Just if I can follow-up on the permanent employee at a store level. Would you be able to highlight typically which profiles of employees at stores are permanent versus contractual for us?

Niladri Deb: So the frontline employees in the store, which are largely the cashiers and the packers and the shop assistants, are all non-permanent. The management employees, which are the department managers, store managers, and all that, are permanent.

Jignanshu Gor: Great. Thank you. That's helpful. My second question was on the financing approach or capex, right? You said there's we have around INR900-odd crores of actual debt on our books as of 31st March. And if I look at commercial paper, etcetera, as of right now, it seems around INR800 crores are outstanding, plus we have INR1,000 crores of NCDs which you've approved.

Is this -- the INR1,000 crores expected to be in addition to the existing INR800 crores of CP, or a replacement? And how do we think about debt as a way of funding our expansion?

Niladri Deb: So on the expansion side, the availability of funds will not be a hindrance to expanding. So this INR1,000 crores NCD has been approved for us to explore opportunities of reducing the cost of debt. For some time, it could be in addition to the CPs that we are holding.

So we might go to an INR2,000 crores borrowing by the end of the year, but that is all going towards managing capex. If you see last year, capex was upwards of INR4,000 crores, and with the increasing store count that we want to pursue, we will need some capex - that is the plan.

So, it gives us the flexibility to reduce the cost of borrowing through the NCD route and also gives us an opportunity to borrow for longer periods without the interest rate risk. Because if you go to the CP market every quarter, you run an interest rate risk based on how the overall market is moving. We want some certainty in the cost of borrowing, hence we have taken an approval for NCD placement.

Jignanshu Gor: Fair. Very helpful. Just one last point on the expansion of the network that we've seen so far. So, we've been increasing the amount of money that we spent on land acquisition every year, right, over the last especially over the last 5 years. And we've mentioned in the past that on an average, we convert acquired land into store in 2 years.

Is that timeline still consistent, and hence would it be fair estimate to say that sort of the FY26 store addition was the FY24 land acquisition on a very averaged out basis? Is that a fair estimate?

Niladri Deb: So historically, what we have seen is depending on the configuration of the store, it anyway takes between 2 and 3 years. So if we have a double basement plus multiple-story store, it takes a bit longer. If it's a ground floor store, it happens much faster. But the way we look at land acquisition is we keep generally a pipeline of 2-3 years of projects based on the land acquisition portfolio.

And if you want a strict correlation of stores opened in '26, was the land for them all bought in '24 - might not be true all the time because some stores get converted a bit later, there are some permissions, regulatory approvals which take a longer time. But suffice to say that as of now, we are sitting on a project execution pipeline of next two to three years of stores that we will open and it takes as Anshul mentioned earlier, it takes varying amount of time based on complexity and the local micro-market dynamics.

Jiganshu Gor: Fair. And last question on this is again, in the past we have mentioned that as we follow the 70-30 approach of opening network, which is 70% in the same sort of states or cities and 30% in exploring new states, our ramp-up time for new stores has gone up.

So, would you be able to throw some light on that? Is that what we are seeing in the stores that we are opening now, especially in the smaller towns? Are we seeing a faster ramp-up of, let's say, a steady-state revenue and is that an optical implication on the SSG?

Niladri Deb: So, two things you have to keep in mind here. One is, Jiganshu, that the SSSG that we disclose is for stores more than two-years-old. The second is that it is very city-specific. In some cities, where we are super-saturated, the stores ramp up faster. Some new city stores take longer time to ramp up. It's a mix. It is not a one-size-fits-all approach.

Anshul Asawa: And I think if I can just add here, I think there are various factors that happen. So, it also depends on how strong the DMart brand is in certain states. So, what sometimes happens is that in a state where the name is known, the proposition is known, even in a smaller or a newer city, the ramp-up happens much faster. So, it's a combination of different things which drive that.

Jiganshu Gor: Got it. And on the store expansion, just a very quick follow-up. You've mentioned 15% as your longer-term CAGR target, but last year obviously we did 20%. So this year, is it possible or feasible, without any commitment of course, to do more than 15% and closer to that 20% again or would you say that 15% is a fair estimate even for this year and next year?

Anshul Asawa: Yes, so I think as I've said, the internal number or internal ambition that we will look at will be that 15% number. And again, depending on how the situation turns out on the real estate development, the permissions, etcetera, it could be a couple of percentage points higher or lower. So that will be something which we'll know closer only to the time.

Jiganshu Gor: Great. Thank you so much for the opportunity. I'll come back in the queue for more questions.

Anshul Asawa: Thank you.

Moderator: Thank you. The next question is from the line of Nihal Mahesh Jham from HSBC. Please go ahead.

Nihal Mahesh Jham: Yes, hi team. Good afternoon. Am I audible?

Anshul Asawa: Yes, you are, Nihal. Go on.

Nihal Mahesh Jham: Yes. Hi Anshul. Anshul, three questions. First is just one clarification that to one of the earlier participants, did you mention that say for the cohort of metro stores given say the increasing competition, maturity and the fact that we are opening more stores closer, that the new normal SSG is going to be more like a mid-single digit or the current trend? Just wanted to first clarify that.

Anshul Asawa: So, I think we've said that it will be around the current trend, what we have been seeing over the last few years.

Nihal Mahesh Jham: Current trend, I mean, is it what we did in just the last quarter or you're talking about the year earlier? Just to be more clear.

Anshul Asawa: Last year.

Nihal Mahesh Jham: Okay. That's very helpful. The second thing is, again, you mentioned that DMart's proposition remains more about the fact that it's slotted and it's for the monthly purchases. But as we've been asking literally every year that today at least from the comparisons we do anecdotally or checking your prices online versus a lot of the other quick commerce players, there is sort of pricing parity that we notice.

And given that for a store, there is this incremental effort and cost of traveling involved and the time involved, so then how is it that a customer then makes a choice of then sort of visiting a DMart store? I could be wrong that maybe my view of the prices may be different but that's one view that has come at least in the last few years and again a question that comes along as we speak to you.

Anshul Asawa: Yes, so I think it's a fair question and I think it's an important question for DMart, whether we are still seen as the value retailer which is our core proposition. And our belief, so first of all, I think you can be rest assured that this is something that we watch with a hawk's eye, whether it is an online channel or an offline one.

And we are quite confident to say that majority of the products that we would sell, we would be quite competitive when it comes to pricing. But the way we look at it also, Nihal, is not like, at every single SKU level.

We finally look at it saying that at a total basket level, how much is the customer saving? So if he or she is buying, let's say, INR5,000 worth of goods, are they actually able to save INR1,500 or INR2,000 on that total basket? Because that's finally what the customers will eventually look at in terms of the ROI of making that effort to come to a DMart store and buying from us.

Nihal Mahesh Jham: Right, Anshul. But say if we look at it from an AOV perspective, we are at INR1,600. So, is it that on every purchase that a customer can save at least say more than 10% or more than INR150? Because that is when ideally the choice would move towards a DMart store visit versus say ordering online. Is that you feel is something that value you're providing?

Anshul Asawa: Sorry, Nihal, I couldn't get your question. Can you please repeat that?

Nihal Mahesh Jham: So sorry. I was asking that say if you look at from an average order value perspective…

Anshul Asawa: Nehal, your voice is breaking.

Nihal Mahesh Jham: Is this better?

Anshul Asawa: Right now, I can hear you but I was not able to hear you previously.

Nihal Mahesh Jham: Sure. I was just asking that say if our average order value is INR1,600 at this point, are we giving a saving of at least say 10-15% on every visit that a customer does as per our understanding right now?

Anshul Asawa: Our belief is that we'd actually be giving more than that, but we don't -- I don't have that number offhand. But if somebody is buying on an average INR1,600, it will be significantly more than the 10% number that you're talking about.

Nihal Mahesh Jham: Sure. Just one final question is that given we are obviously incrementally opening so many more stores in Tier-1, Tier-2 cities and beyond, what would be the ballpark difference in productivity versus the metro stores or the average that we are currently doing?

Anshul Asawa: So, I think, yes, the productivity in the smaller towns especially as they scale up would obviously be lower compared to the metro cities. And then, it takes time before those stores start becoming productive.

But then you should also remember that the cost of operating those stores is also relatively less compared to the metro stores, whether it is the cost that we would have paid for buying the property itself or running the operations. So, those would be lower, but at the start, the productivity would indeed be significantly lower but it gradually picks up.

Nihal Mahesh Jham: Sure. Just possible to get a sense that maturity how different does it work versus the system average right now?

Anshul Asawa: I don't think we'll be able to disclose that number in terms of the variance by city, Nihal.

Nihal Mahesh Jham: Okay, Anshul. I get that. Thank you so much.

Anshul Asawa: Thank you, Nihal.

Moderator: Thank you. The next question is from the line of Manoj from ICICI Securities. Please go ahead.

Manoj: Hi team. Sorry for belaboring this point about DMart versus the quick commerce channel. But I actually just wanted to double-click on some of the assertions made a little earlier. Let me put it this way.

So if you look at DMart quarterly revenue is about INR19,000 crores currently. Blinkit is about INR1,500 crores. So the fact of the matter is quick commerce is catching up in size. And the logical assumption would be size to bigger scale.

So in that context, if you could just tell us, while you mentioned just five minutes back about the value proposition is still material, how this has evolved in the last couple of years and how do you see this, let's say, three years from today?

Anshul Asawa: Manoj, maybe possibly the same thing that I stated earlier that our belief is that what we need to do is make sure that the DMart proposition now is available in more places. So, the way that we see this growth happening is by being available in more states, more cities, more markets. And so therefore, obviously, the faster we are able to do that and the faster we are able to scale those geographies, the better it would be for us.

I think we are only improving on that front but are we comparing ourselves with what is exactly happening on the quick commerce side? We are not. Because as I said earlier as well, there is still a lot of runway for organized trade.

There's a lot many more customers who need to experience modern retail for that matter and an online retail format and each of us whether the quick commerce or the brick-and-mortar business, will keep driving that business model. And I think my feeling is that whoever is able to drive that sustainably over the next few years is likely to remain 10 years or 20 years from now as well.

Manoj: Understood, sir. Thank you. Just maybe if I may a quick follow-up here. Let's say the value proposition for a like-for-like basket, let's say in your opinion, how it has trended in the last let's say two years and where it's likely to settle in the medium-term?

Anshul Asawa: So, I don't have that data right away. We'll try and see if we can provide that information to you, Manoj. But I think the way I would see it is that on that basket we will want to remain the most competitive and that is something that we will keep a watch on and not let anyone else take that space.

Manoj: Understood, sir. Secondly on expansion, I understand this is also discussed in fair bit of detail earlier, but let me ask clarify a couple of things.

One, you just mentioned a little earlier that one of the opportunities to, let's say, go to newer towns, newer cities, etcetera. But when I see this, let's say, aspiration or intent versus the actual plan, it appears there is a bit of a gap here.

And you also mentioned clearly 15 minutes back that capital is just not availability is not an issue, etcetera, etcetera. So, is it just that what exactly stops you from let's say opening 100 stores? Is it let's say the fact that the ratio of new locations you need to scout before you finalize one, probably that has increased over the years? So, what are those top three challenges which stops you from let's say opening 100 stores in a year?

Anshul Asawa: So, I think as you yourself have said capital is not the challenge. It is also not people. It's not as if we do not have people. It is just that typically the model that we have chosen takes a lot more time to build new stores. The fact that you need to get the right land, land which is clean, regulatory requirements and then the fact that we need to build it, which takes anyway from two to three years' time.

So, there's a certain amount of time that it takes to build stores in this particular model. This being our moat is what we would not want to give up. Having said that we've said that wherever possible and if we indeed need to go for a lease option because that is the most feasible and a faster option, we are open to that as well.

The number that I've indicated to you 15%, obviously means that at some point in time in the future, we will need to open up those numbers as well, 100 stores or 150 as well. And our belief is that we will be able to do that at that point in time. But at this stage, where we are with about 500 stores, I think that number may not be a reasonable number to look at.

Manoj: Understood, sir. And lastly, if the number of -- I think there is this retail, metric, right? The numbers of locations you need to see before you finalize one. It could be 1:3, 1:5 depending on honestly the risk profile of each company. Is that -- has that changed or how does that trended let's say in the last few years?

Niladri Deb: I think, Manoj, the conversion has more or less remained steady. So, we shortlist a lot of properties, we do diligence, some properties fall off because the documentation is not clear and some landlords also are hesitant to sell everything and all that. So, all these complexities are remaining. We have not seen a significant downgrading of conversion rates across the years.

Manoj: So, it's not a question of increasing manpower let's say in that area so that you want to increase the output also, right? So it's something which you can drive if you want to.

Niladri Deb: We have increased manpower. That is why the property -- the store openings have increased and we are working as Anshul mentioned. So, when you say 15% of the baseline, it also is an increasing target year-on-year, right? So the manpower is not a constraint. It's also about availability of clean land parcels to our liking and the location. And we are working on it.

Manoj: Thank you team and all the best.

Anshul Asawa: Thank you, Manoj.

Moderator: Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal Mutual Fund. Please go ahead.

Aliasgar Shakir: Thanks a lot for the opportunity and maybe I mean I would like to just persist on the same point of quick commerce. So just, even if I know step back and see how our business has grown over the last 5-10 years, probably in the last 5-10 years our biggest competition was only Kirana and the EDLP actually was working excellent because like what Manoj said, the scale was in your favor and obviously we had a sharp working capital and much better assortment, so you were able to pass on all those benefits to the customer.

Now your biggest competition as even actually Manoj was indicating is the quick commerce guys which have the scale and basically the, relatively much better assortment today versus what we thought probably they would offer three years, five years back when they were only focusing on very sharp SKU.

So that assortment is addressed, that, probably scale and pricing is addressed. So I hear your point that, even now there's a lot of unorganized market that you are catering who have not yet, moved to the modern retail and therefore maybe you are, targeting them and getting benefit.

But would I be, right in my assessment that the competition today has changed dramatically and structurally, the consumer who was earlier comfortable to, I mean, do monthly pantry shopping because of the value that you were giving is now getting that benefit, without doing monthly pantry shopping.

So maybe structurally, I mean, that customer is getting much better benefit and therefore the value proposition is kind of diminishing for us?

Anshul Asawa: Yes, so Ali, I think, I'll repeat my point again. But I think I'm sure you have the data as well, but total organized trade including quick commerce and e-commerce still is roughly in the early teens. Yes, and this includes the brick-and-mortar as well. So quick-com, e-com, modern retail, everything put together is in early teens.

And which is the reason why we keep talking about the fact that there is opportunity for every format. Now coming specifically, I think the quick commerce competition that at least we are seeing is still largely in, the large dense metros, which is where, possibly, our stores might be having some impact because there will be customers who will be preferring the convenience of a 10-minute, 30-minute delivery given the challenges of, metros and the fact that, these are very densely populated places where I guess quick commerce is making a lot more sense.

So are we not, are we seeing that, monthly shopping out of the large basket shopping reducing in metros? We are not actually. We are actually seeing that to be, quite stable and strong. And we're continuing to see, good traction in all our Tier 1 and Tier 2 cities. So to that extent, I think we are not as worried in terms of, the long-term impact of quick commerce to us, not because, we are competing with them directly, just because of the fact that there is so much more, to drive in the total market of India.

Aliasgar Shakir: Got it. So I think the point you are making basically is because you're in such an underpenetrated market for organized retail, so as the customer moves from unorganized to organized, you are able to kind of, I mean tap that customer and drive growth. The only point I thought is that for that customer earlier, the big, lever was modern retail, so he would move to modern retail.

Now probably, I mean, maybe because of value proposition improving for quick commerce, he would have that option also available. And given the fact that he doesn't have to do the monthly pantry shopping, he could do it on a daily basis maybe, that probably could help. But I hear your point.

Anshul Asawa: Yes, I think the only thing which I will reiterate is that look, shoppers will always have different types of shopping trips. And globally also if you see, there is a presence of e-commerce, maybe not as much of quick commerce, but there are different shopping, trips that customers make, and the same customer could be making that sometimes buying for convenience, sometimes buying for experience, sometimes buying for, let's say a monthly shopping kind of a space.

So therefore, I think all of those will remain relevant to my mind in India as well. And so therefore, given the fact that we have such low penetrated organized trade, given the fact that customers will keep shopping in different ways, whosoever is able to, have a good sustainable model to service the needs of the customer at that point of time, should sustain a strong business in the future.

Aliasgar Shakir: Got it. Quite thanks. Thanks a lot, Anshul, for that detailed explanation. Thanks.

Anshul Asawa: Thanks, Ali.

Moderator: Thank you. The next question is from the line of Ashish Kanodia from Citi Group. Please go ahead.

Ashish Kanodia: Yes, thanks for the opportunity, sir. First on the store expansion, while I hear you out on the 15% internal target which you're working on and maybe in the next one year or two years because that's the kind of land bank you have. But three years, four years out if you have to actually, you know, grow at 18% or, it could be any higher number, just wanted to understand what's, what would be the bottleneck?

Is it because capital is not, I think people is not, is it just that because real estate has a finite supply, like you cannot create land, so just the 15% is the right number even if you have to take a five-seven years' view?

Anshul Asawa: No, our view at this point of time, Ashish, is that, you know, this is the right number at this point in time, at least in the foreseeable future. Now what this number could be three years or four years down the line will be difficult for me to say that.

But, we believe that at this point of time, we have the capacity, we have the people, and our real estate team is working towards a number where this should be possible to deliver in the foreseeable future.

Ashish Kanodia: Sure, sir. Second, just on the gross margin side, I think at least from a outside view what we definitely see is that, quick commerce competition has been very intense and your product mix has, not changed.

So when we look at the, like a slight improvement on gross margins, is it a fair assessment to say that from a customer point of view, you might be actually giving even slightly higher discount because you are matching prices, you're trying to be, the best value provider to the end consumer, and the underlying gross margin improvement would have been slightly better because of sourcing, etcetera., but it's just that, at a customer level, the value which you're providing has actually gone up versus what it was one or two years back?

Anshul Asawa: No, so Ashish, I think we've been very clear. We do not want to make margins which are beyond, let's say, reasonable levels. And so therefore, wherever we will be getting, any benefit which might be on account of sourcing, productivity, etcetera, and if it is in that ballpark 14% to 15% type of a range, we will pass that on to customers.

And you're right that, we will as we've always been doing, we will keep looking at, competition and making sure that we are still the best value retailer in a region. And that is something that we keep doing. Now is that sort of, making a significant impact on our margin at this point of time?

Suffice to say that, yes, it's business as usual, and whatever, small impact would have happened as well is I think compensated for through the other efficiencies which Niladri earlier spoke about.

Ashish Kanodia: Sir, my point was more from a customer point of view that maybe as a customer, the value which they were getting while visiting a DMart store, has it kind of improved even further given, it's just that sometimes the competition helps the customer.

So like when you look at a customer spending on the same basket of products, the value which they were getting maybe one and a half years, two years back versus what they're getting now, is it higher?

Anshul Asawa: Yes, so I again, as I said, I don't have this number right away, but I would assume so because, we are not any less competitive than we were in the past. And we are obviously seeing a lot more competition across cities. And so therefore, it is quite possible that they might they would be getting, a lot better value, but I don't have an exact number to give you, Ashish.

Ashish Kanodia: Sure, sure. And just last one, because, you tried DMart Ready in, more number of cities and now the focus is on say the top 11 cities. And my question is more from consumer behavior and also from a quick commerce perspective that, what you might have seen in terms of the quick commerce impact in the top four-five cities two years back.

I mean, are you see because are you seeing the similar impact in say the next 15-20 cities? I mean, not talking about the Tier 3 towns, Tier 2 towns, but beyond the top four-five cities, if you look at, you know, the next 15-20 cities, have you seen are you seeing that one, the consumer behavior are kind of changing, moving towards more delivery focus, and that way, you are seeing at least some bit of an impact in terms of whether, just the average order average order size or average bill value or in terms of the frequency in which they are visiting? Are you starting to see some of those impact in the next 15-20 cities now?

Anshul Asawa: No, so Ashish, I think it will be difficult for me to say, but I don't, we don’t, we’re not seeing any significant impact in those places. As I said, this seems to be more of an impact in, let's say densely populated metros with some of the infrastructure challenges and so therefore, I think that is where we see a little bit more. And whatever impact, if at all, would be quite minimal in other places.

Ashish Kanodia: Got it. Thank you and all the best.

Anshul Asawa: Yes, thank you.

Moderator: Thank you. The next question is from the line of Rakshit Desai from IIFL Capital. Please go ahead.

Percy Panthaki: Hi, sir. This is Percy Panthaki here. Sir, just first one clarification. My line was not very clear when you actually did clarify in response to an earlier question. When you said that SSSG can maintain at current levels, did you mean last quarter level or last financial year level?

Anshul Asawa: Last financial year.

Percy Panthaki: Okay. Secondly, just wanted to understand the seven cities which you exited from for quick commerce. How were those cities different from the existing cities and why only in those cities this DMart Ready model did not work for you?

Anshul Asawa: So, I think in these cities are, as I mentioned, the contribution that we were getting from a business perspective was very minimal. And so therefore, we decided not to spend more time and resources on those cities and trying to prove, the business in those cities and instead focus on the remaining 11, which is where we have a sizable business.

In fact, some of those cities are relatively were relatively new as well for us when we went in. And rather than therefore to spend and invest more, we said let's focus on the majority of the business. So that's the answer to your question.

Percy Panthaki: Understood. So do you track something like, let's say, a same city sales growth instead of a same store sales growth for the brick-and-mortar? What is the equivalent metric that you have for the DMart Ready, and what is that tracking at?

Anshul Asawa: I think the equivalent for DMart Ready will be a PIN-code-level, growth that they would be looking at, while we of course look at, overall city-level growth as well for the brick-and-mortar.

Percy Panthaki: And would you be able to give some idea what is the same PIN code sales growth for the DMart Ready?

Anshul Asawa: No, that we do not disclose. Sorry.

Percy Panthaki: Okay. Fair enough. But like any flavor if not the exact number, like is it a single digit or double digit?

Anshul Asawa: Cannot say. That's a good attempt.

Percy Panthaki: Okay. Fair enough. And one from the consumer behavior point of view. So if let's say there was earlier a consumer who was largely shopping at DMart and now he has partially shifted to quick commerce, I mean, have you done some kind of consumer insighting studies or anything which tells you how his behavior changes?

In the sense, that does he visit the store less often while buying the same quantity as earlier, or does he visit the store as often as earlier but reduces bill size, or any kind of sort of insights in case you've done any focus group studies or anything of that sort on this topic?

Anshul Asawa: No, we haven't done that, and I think possibly you are aware as well that we do not really track customer data, especially in our brick-and-mortar stores. So it will not be possible for us to kind of track or trace a customer and their shopping behavior, nor have we done a study like you are suggesting.

Percy Panthaki: Okay. And lastly on the store opening, I know this has been done to death, but I still want to ask this question. Earlier con-calls whenever we used to ask why more stores cannot be opened, the response used to be that land acquisition is a very complex procedures, lot of permissions are required, etcetera, etcetera., and that is the bottleneck.

But now that you are open to leasing, I mean, that bottleneck goes away. So why is it that we are not able to sort of accelerate the store opening? That's one part of the question. And second part of the question, just a data point is out of the 68 leased stores that you have, how many were opened in the last fiscal?

Anshul Asawa: I think this last question we answered earlier, maybe you kind of missed it. Of the 85 stores that we opened last fiscal, 15 were leased. And look, I think it is not the first time that we are starting leased stores in DMart. We have, as I have mentioned earlier, about 68 stores out of the 500 plus stores that we have now.

We have 68 stores which are on lease. So you can imagine 53 stores prior to last year were on lease. I think, the challenge even on lease would always be about, getting the right property which is going to be able to cater to the right number of customers and also as per the requirements that we would want to have for running a DMart store. So the challenges will largely remain the same as we have said in the past, which is around getting the right property.

Percy Panthaki: Okay. Got it. Thanks a lot and all the best.

Anshul Asawa: Thank you.

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

Videesha Sheth: Yes, hi. So my first question was on the initial comments that you made on investment behind tech and capabilities. So specifically on the tech stack, which specific systems or area in the value chain need a major overhaul? Is it pertaining to the store front-end inventory or the supply chain piece, if you can share your thoughts on the same?

Anshul Asawa: So I think we will be looking at it at an overall level, Videesha. Actually, I would say all aspects of our tech, wherever there is a need to upgrade, we are looking at, doing the same, starting with our ERP system to all our operations. There would be some or the other advancement that we are discussing at this point in time.

Videesha Sheth: Sure. And basis these investments, do we expect any near-term margin trade-off before the benefits land up, I mean, before the benefits show up?

Anshul Asawa: No, if at all, they will be very marginal, and therefore I don't think there is something that we would need to flag or highlight at this stage.

Videesha Sheth: Noted. Thank you.

Anshul Asawa: Thank you, Videesha.

Moderator: Thank you. The next question is from the line of Jay Gandhi from HDFC Securities. Please go ahead.

Jay Gandhi: Yes, hi. Thank you for the opportunity. Am I audible?

Anshul Asawa: Yes, you are, Jay. Go on.

Jay Gandhi: Yes. So most of my questions are on DMart Ready. Given that we have cut back on our DMart Ready presence, why wouldn't cost structures improve? I mean, transport costs have shot up quite a bit, employee expenses too. I understand service levels have improved and maybe that costs a little bit of money, but overall, I would have presumed you would have probably improved on your cost structures. I will park the rest of the questions for later.

Anshul Asawa: Yes, Jay, I will ask Vikram, who is the CEO for AEL, to respond to this.

Vikram Dasu: Jay, your question is about why the costs have not reduced, is that what you are saying?

Jay Gandhi: Yes, especially the transport costs, given that the supply chain would have been tightened further because of the right-sizing.

Vikram Dasu: Okay. I will answer it in two parts. One is in some of these cities that we exited, we were looking for operating evidence to see how the model works across various levels of demand, right? What we have realized is in the markets that we or the cities that we exited, our capacity utilization, which is throughput and order density, was not as ideal as we hoped, they would be, right?

And you must have noticed that our contract labor cost went up by 24% and transport by 34% or so, if you are alluding to some of the financials that we published for AEL. Yes, that's also one of the reasons why we wanted to consolidate, so that we remove the complexity of, delivering in a network that is not as dense as we would prefer it to be.

And the markets that we are focusing on currently, we are hoping, they will be able to have better throughput and better service levels and better order density.

Jay Gandhi: This would probably reflect in efficiency gains in FY27 and onwards, I presume.

Vikram Dasu: That's right.

Jay Gandhi: Yes. Also, the second one was, see, I always thought online purchases are more intent-heavy and less impulsive, which likely means that structurally gross margins are lower. And correct my chain of thought if I am wrong, so, is there a way that or any levers that we haven't yet monetized to get to probably the offline portfolio, or probably that's not the ambition at all?

Vikram Dasu: Could you clarify your question? I didn't quite understand.

Jay Gandhi: Yes, I will repeat myself. So generally, online purchases are more intent-heavy and less impulsive. Maybe the general merchandise portfolio also is relatively lower in the mix in online shopping, and hence structurally gross margins are lower. So how does one over a period of time bridge that gap with the offline portfolio? So at the gross margin level, is there an ad-income lever that we haven't monetized yet, or?

Vikram Dasu: Understood. So a couple of things. That's also one of the reasons why our operational precision has to be significantly better, right? Because you're right, our if you look at our assortment, it's predominantly FMCG, food and non-food, and not as much on general merchandise. However, in the last couple of years, we've ramped up our assortment in that particular area. It probably will never match the same levels that we see in our offline stores. So, there's not much, margin, play there other than improving our operational efficiencies.

And to your question about monetization, as you may have noticed, we don't really monetize our app and site experiences, but that's a big lever at any point in time we can pull when we are there. But right now, the focus is on, you know, delivering on that stock-up mission really, really well and providing a dependable service for our customers. So that's what our focus is, and we'll try and improve order density, better throughput and overall productivity.

Jay Gandhi: Right. So one question I had was on the service levels. I mean, we've dramatically improved it from a couple of days to within six hours, right? But is there a way that or is this a conversation that you guys keep having that to balance that and probably reduce minimum order value too?

Vikram Dasu: All right. So, we have a different. Sorry. Is there more?

Jay Gandhi: No, no. Go ahead, please.

Vikram Dasu: Yes, I mean, it's a fair question, Jay. And actually, our minimum order value is variable across cities based on the tolerance and acceptance of a particular city. We actually have variable minimum order value. But we believe that given the fact that we are primarily serving the, you know, shopper's stock-up mission, we've calibrated minimum order value and all of those things accordingly.

Jay Gandhi: Fair enough. And how many DMart Ready outlets do we have today?

Vikram Dasu: We don't, are you talking about the pickup points or are you talking about our centers?

Jay Gandhi: Yes, basically the stores which you use to effectively these are dark stores, right?

Vikram Dasu: We currently have 165 pickup points.

Jay Gandhi: Got it. Well, thanks. I think I'm done with my point. Thank you so much.

Vikram Dasu: Yes, you're welcome, Jay. Thank you.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Yes, sir. Hi. Thanks for the opportunity. Sir, first question is on getting some idea around the potential debt increase in the business. So, we are currently growing at about 16% to 17%, but we are requiring external capital. This is likely because the return ratio is currently at 13% to 14%, right? So, I wanted to check on levers that can improve the current ROE profile, or whether the debt level would gradually keep on increasing over next few years.

Niladri Deb: So, I think, Devanshu, what has happened is if you notice, we did a fundraise in 2020 when we came out with the promoter dilution of close to half a billion dollars. So that money is over now, and hence we are doing a fundraise. And as the number of stores grows, we believe in next two-three years, the existing stores will generate enough capital for us to not keep on borrowing anymore.

Devanshu Bansal: But sir, your expansion plan will also keep on increasing, right? So, it's not that you will add only 70 to 80 stores, right? So as the business grows, unless the ROE profile improves, you will continuously need the external capital.

Niladri Deb: You're right. So what we need to also keep in mind is the cost of a store in a metro is very different from the cost of a store in a non-metro. So, our understanding is that our existing store count itself should be able to generate sufficient amount of capital that we need for expansion. So, if you look at last three years, our store count has increased by 200, right? So, I'm looking at it that way.

Devanshu Bansal: Got it. And secondly, wanted to check, we currently are only catering to about 50% of retail TAM in terms of categories. We do not have meaningful presence in large categories like fresh, right? So quick commerce as well as some of the other organized chains like Star Bazaar, etcetera, are positioning themselves as a fresh-first offering, right? So, do you see opportunities for expanding the number of categories that we currently cater to?

Anshul Asawa: So, I think on this one, whenever there's an opportunity which we will be able to drive meaningfully in our stores, we'll keep looking at. There are some pilots that we are doing in some of our stores with some fresh fruits, for example, in Mumbai, which is giving some strong results.

But, is there a plan to have a full-fledged fresh portfolio in DMart stores at this point of time? No. But we'll keep looking at opportunities which we can, deliver in the current store environment profitably.

Devanshu Bansal: Understood. Anshul, you did say that your focus is on slotted deliveries from an organic expansion perspective, but wanted to check, are you open to any inorganic opportunities or strategic partnerships, at least for playing in this fast-growing quick commerce space?

Anshul Asawa: Yes, so I think this is something that we cannot discuss here on this call. So, I'd leave this to more discussion at the board level.

Devanshu Bansal: Understood. Sir, just last one bookkeeping question. And this is around the land value that is there on our balance sheet, right? So, we do not disclose the land which is currently for operational stores and the land which is for the upcoming stores, upcoming new stores.

So, it becomes difficult to actually analyze your operational performance. So either if you could highlight as a separate note in the balance sheet on this front, it would be really helpful. And if you could provide this number for FY26, I'll be really grateful.

Niladri Deb: So, I think what happens, Devanshu, is the land gets capitalized as soon as the registration is done. And if you do a ballpark analysis of two to three years needed to build a new store, you can draw your own conclusions of the value of land that has come in. It's very unlikely that we will buy land this year and open the store in the same year. So, most of land acquisitions will happen for forward years.

Devanshu Bansal: But still, if you could call out the number, then it will help us, right? So whatever 500 store base number is there in your gross block, that will be helpful in terms of analyzing your business properly.

Niladri Deb: We don't disclose that, Devanshu.

Devanshu Bansal: Got it, sir. Got it. One last question if I may, if it can allow me to go ahead with that.

Anshul Asawa: Yes, please.

Devanshu Bansal: Sir, in Q4 we opened about 60-odd stores, right? So wanted to check if all these stores were operational for full quarter Q1. Why I'm sort of asking this, this is a pretty big number, right? So this would have this should have contributed meaningfully to your Q1 sort of numbers, but that was not sort of reflected in the reported growth. So, were these operational for the full part of Q1, or from Q2 onwards we should see a more full quarter contribution from these 60 stores?

Niladri Deb: I think all the stores that we opened in last quarter were fully operational in Q1. So we keep on disclosing to the exchanges as on the day we open the store. So, all the stores that we opened till 31st March were fully operational in Q1.

But you need to also understand, Devanshu, that the stores new stores take a lot of time to ramp up, especially in a new city where we enter or a Tier 2, Tier 3 city. So that is why you might not have seen the kicker coming in the sales immediately. It takes some time. But all stores were operational the full the whole of Q1.

Devanshu Bansal: Got it, sir. Thank you for taking my questions.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Karan Taurani from Elara Capital. Please go ahead.

Karan Taurani: Hi, thanks for taking my question. The first question was around the growth rate that you mentioned on LFL. So you said LFL will be closer to last financial year. Now does that imply only the performance for the next two to four quarters because you will see positive impact of price hike, or do you feel you are confident of LFL growth rate even beyond FY27 being the range of 7.5% to 8%?

Anshul Asawa: So, I think, it's very difficult to say what it will be the next year because, there could be lots of different variables in play at that point in time. I think what we are at this point of time saying is that in the coming financial year, we see that this is something which is, possible for us to deliver.

Karan Taurani: Got it. And my second question was around the quick commerce part. So again, correlating that point of LFL and quick commerce. So given Amazon, Flipkart coming to this business, the competitive intensity would only increase from here on. And you look at Flipkart as a player, they are going to close to 2,000 stores in the next, 6 to 12 months as per reports.

So, they are also expanding aggressively beyond the metro markets. So, we thought that probably the pain of quick commerce will take some time in the non-metro market given the kind of slow adoption by QC players. But with Flipkart and Blinkit going very aggressively in non-metro market, even Amazon maybe in a certain extent will go aggressive over there, could we see a bigger risk on LFL, it would even converge below 5% in the medium term?

Anshul Asawa: Can you just repeat your last statement again? I don't…

Karan Taurani: So, my last statement was that invariably 6 months back, quick commerce players were not going aggressively in the non-metro market because the early adaption -- there was no clarity in terms of adaption but given the Amazon, Flipkart coming to the business, given Blinkit now kind of coming back in terms of their expansion plans, do we see potential risk on this 5% -- 6% LFL in the medium terms as well?

Anshul Asawa: No. We don't see that, to be honest, because again, as I've repeated earlier as well, that, in most of these smaller places, organized retail is even lesser than what you see in metros. And so, therefore, we believe that both for modern trade, the brick-and-mortar format, as well as the online, there will be a huge amount of, let's say, runway to move forward.

But whatever be the competition, I think we will remain true to our proposition of being the best value retailer in that geography. And our belief is that, especially in these Tier 1, Tier 2 towns, that proposition will hold a huge amount of value for customers.

Karan Taurani: Just one last thing if I may. So, what is your view on the assessment of, adoption of QC beyond the top 10-12 cities that you are seeing right now? Any trends that you've seen invariably when you see that the adoption will be slower over there?

Anshul Asawa: No. We haven't done any such work and have no point of view on this. I think the best would be to ask the quick commerce companies in terms of how they are seeing it. We do not have any point of view.

Karan Taurani: Got it. Thank you so much. That's it from my side.

Anshul Asawa: Okay. Thank you.

Moderator: Thank you. We will take the last question from the line of Vivek from Jefferies. Please go ahead.

Vivek: Just couple of questions again on DMart Ready. On the quick -- I mean, have you – so you have reduced your timeline to let say 6 hours or below, are you also thinking about at least experimenting a bit with the, quicker delivery format at all?

Anshul Asawa: No, Vivek. We are not looking at that as an option.

Vivek: And may I ask you why is that if there is such a huge cut? So, look to the earlier participant at different points you have mentioned about, asking the quick commerce companies but they have made their point by -- any which ways moving to like 1000 -- 1500 -- 2000 stores.

India already have 6000 dark stores, etcetera. So, they have made their point by their action, which is why I think all of us are interested to know you point of view because QC companies are like, putting their money behind the smaller towns as well.

Anshul Asawa: So, I think as I said in the beginning as well, we are very clear that, in these 11 cities where the bulk of our business comes from, we want to make sure that we are able to provide a service which is also sustainable to, to run over a longer period of time, which basically means that it needs to be profitable as well. At this point of time, we have seen a lot of erosion in profitability, an increase of that erosion over the years, and we do want to make sure that, that is not something that we would be happy to continue with.

And so, therefore, our approach would be to make sure that this 6-hour delivery model, we are able to prove in these 11 cities and then once we are able to do that, then we will take it further up. Now, the other quick-comm companies have chosen a very different route and I guess that suits them, but in our case, we would drive it this way.

Vivek: Okay. And do you also find, a quick commerce business model still a bit unsustainable? Is that the reason why you are reluctant? That's the first part of this question and the second part is, is there anything that will -- that can change you decision in coming quarters or years whereby you may also look at this space?

Anshul Asawa: So, I think I will not be able to comment on you know what their business model is because that's for them to kind of, decide how they would want to run their business. Our view is clear that whatever we would want to run, we want to provide obviously great value to customers and a great shopping experience through our DMart Ready platform, but then it needs to also be profitable, only then we'll be able to sustain it.

Now, in the future, will we be willing to look at it? It's too early for me to comment because again, if I look at, what we are intending to do with the DMart Ready, we believe that we will be reasonably successful on this model once we have proven it in these 11 cities. And so, we will want to actually in the future expand this even further.

Vivek: Got it. And the last question is, in the world Anshul where everybody says data is the oil. They do not collect any level of data from the customer. The fact that you are also building your DMart Ready business. Do you think at some point of time, you should be doing that so that, if I am a shopper at Dmart and if I login to DMart Ready a lot about me already? Why there is that reluctance not to get the data? Does it increase the cost or the – or the time at the checkout, which is why you are reluctant in doing this?

Anshul Asawa: Yes. So, I think on DMart Ready, let me clarify that we have customer data and that's not where we were talking about customer data, it's more in the offline stores.

Vivek: Sorry, I meant offline only. I'm sure offline only?

Anshul Asawa: Offline, we do not, collect the data because I think, one of the values that this organization is built around is simplicity. We want to make sure that the experience is simple enough. We do not, take more time of the customer than is required. So, you are right from a quick checkout perspective -- from the perspective that we do not want to make shopping experience complex for the customer. We want to avoid collecting the data and then make the shopping experience more complex.

Vivek: I got it. Sorry, you're saying something.

Anshul Asawa: And time consuming.

Vivek: Got it. Thank you. Wish you all the best.

Anshul Asawa: Thanks. Thanks a lot, Vivek.

Moderator: Thank you. Since this was the last question, we would now conclude the call. On behalf of Avenue Supermarts Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.