Avenue Supermarts

Operator: Ladies and gentlemen, good day and welcome to Avenue Supermarts Limited annual analyst meet. As a reminder, all participant lines will be in a 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 zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishabh Ghia. Thank you and over to you, sir.

Management: Thank you. Good morning all. Welcome to our annual investor and analyst conference call for 2026. I have on call with me Mr. Anshul Asava, our MD and CEO; Mr. Amakant Beheti, Group CFO; Mr. Niladri Dev, 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.

Management: 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 roles. 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 1 year, I have spent a lot of time on the ground, visiting our stores and distribution centers across various cities. I have been getting to know our teams, our vendors, and also our customers. 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 D-Mart special. It also gave me space to step back and reflect on where we need to take D-Mart next.

Before we dive into the slides of the presentation that Rishabh was speaking about, I'd like to share a few thoughts on my reflections. First of all, I find the fundamentals of this business are rock solid. Our model of providing everyday low price through an everyday low-cost operation isn't just a strategy; it 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 the company was built on will need to stay intact.

What I see ahead of us is a massive opportunity to scale this proven model into many more cities. Store expansion is going to be the key. 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. To support a much bigger footprint of D-Mart, 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. 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.

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I would now move to the business presentation. If you see the first slide, our category contributions over the last year have remained pretty steady. You'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.

Moving to the next slide, we are sticking with our cluster-based store opening approach. Last year, we entered five new states and we also hit the 500-store milestone. Our focus in the coming year would be to 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 D-Mart 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. To do that, we are improving three main things for our customers.

The first is around assortment. We want to tailor our selection specifically for online buyers. This is going to be a continuously evolving feature. Second is the speed of delivery. We want to make sure that we are able to deliver to most of our customers within 6 hours of their ordering. This offers great convenience, especially for our large basket shoppers. Finally, around user experience, we want to ensure that our digital interface becomes easier and more engaging to shop on. We want to prove that this way of working is sustainable in these 11 cities first, and we are channeling all our attention and resources in Avenue E-commerce Limited towards this goal.

Moving on to the next slide, some of you might be keen to know what store addition target we are aiming for this year, having reached 500 stores and having opened 85 stores last year. I want to state that internally, our benchmark will remain that we should be opening around 15% of our store base as the number we want to increase annually. That said, 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. However, our pipeline to build stores is strong and we are confident in maintaining this over the coming years. Wherever it makes strategic sense, we will also remain open to long-term leases.

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. Over to you, Niladri.

Management: Hello everyone. Good morning to you. I'm referring to slide number 10, where we see bill cuts. We have healthy growth reaching close to 40 crores of bill cuts in the year gone by. Our like-for-like store growth, which includes stores more than 2 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. Our revenue per square foot from all stores put together came in about flat at 33,422 rupees per square foot.

Moving to slide 11, we reported a turnover of close to 76,700 crores in the year gone by. EBITDA margin came in at about 7.8%. Profit after tax was about 4.8%, which is 3,224 crores of profit, and we generated 4,168 crores of cash from operations. The inventory days went up to 33.2. This is due to more warehouses that we opened during the year so that we could better service our customers.

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Days payables remained flat at 7.2, continuing our strategy of paying vendors quickly. Debt and equity increased slightly to 2,267 crores. This 2,267 crores also includes debt arising out of AS 116 adjustment. The actual debt, which is net borrowing on the company, is close to 965 crores as of March 31, 2026.

The 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 are holding. This led to net worth coming in at about 13.5% during the year and ROCE at about 17.1%, which are slightly lower than what we reported in the prior year.

Slide number 13 shows us the split of standalone and consolidated commercials for the year ended March 31, 2026. Sales grew by close to 16%, and gross margin expanded by 16 bps. Employee costs 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 we saw in employee costs largely. PAT came in about 25 bps lower because of the employee cost increase flowing down to PBT.

At a consolidated level, we saw similar performance. Sales grew about 16%, EBITDA grew about 16%, and PAT grew about 10%. Regarding the key subsidiaries' financials, Avenue E-commerce, our online grocery business, saw sales grow about 17%. EBITDA declined by about 43%, so we had a bigger EBITDA drain of 84 bps, and the PBT was about 24% lower, leading to 307 crores of net loss.

Aligned 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 we have adjacent to each D-Mart store, grew about 35.5% and returned a PAT of 9%. It had a loss last year because of expansion in certain parts of the business. It has now turned around and is on course for healthy numbers. Thank you.

Operator: We will now begin the question and answer session. Anyone who wishes to ask a question may press star one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star two. Participants are requested to use headsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. The first question is from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman - CLSA: Hi, good morning and thanks for the opportunity. I have three questions. Anshul, firstly, I would like to understand your perspective on exclusive brands and private labels. Historically, I know you stated a 20-20-20 strategy on private labels, but has there been any change to that since you've taken over? We see that at least as far as shelf space is concerned, a lot more shelf space is being taken by private labels. Is this a concerted effort?

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

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Management: Thank you, Aditya. Regarding exclusive brands and private labels, our approach has not changed. In the past, we've spoken about the 20-20-20 principle. My personal reflection is that the Indian market is still very brand conscious. For any retailer to succeed, you need to deliver real value to customers. As we are an MRP-driven market, comparisons are very easy for people to make. You can only give real value when you follow our 20-20-20 principle: providing at least a 20% price advantage, making a margin at least 20% more than the benchmark, and achieving at least 20% volume share. This means giving true value so customers want to buy from us. Wherever we see that leverage, we are driving that private label business. We are talking specifically about FMCG private label here because we do not count garments, general merchandise, or D-Mart grocery in that private label number.

Regarding your observation on shelf space, there is no conscious effort to drive shelf space for private labels. Much of what you see on the shelf in D-Mart is driven more by customer choice.

On the third question regarding leasing, D-Mart has always preferred buying land and building our assets. However, we are realizing that in certain geographies, it may not be possible to get the land we need. We are more open to leasing options provided they are long-term leases that meet our requirements. We currently have 68 stores on long-term leases. This is a reasonable number in the total count of over 500 stores. Both the owned and leased models work well for us.

Regarding the slowdown in metros like Mumbai and Bangalore, we have very old, dense stores with high throughputs. To some extent, these stores are reaching a saturation point. Capacity is indeed an issue, which is why we open new stores nearby, even if it impacts like-for-like growth. I also think there is a fair amount of impact from competition, which is making a dent. The combination of capacity saturation, existing high throughput, and competition is why some larger metros have slowed down in terms of same-store growth.

Aditya Soman - CLSA: Yes, Anshul, thanks. I'll come back in the queue.

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

Avnish Roy - Nuvama Group: Thanks. I have two questions. First, if I compare the previous call to now, Amazon and Flipkart Minutes have picked up in quick commerce. Could you give a summary of competition versus last year? Are you seeing a pickup in the FMCG part specifically? Earlier, your positioning was everyday low pricing and assortment. FMCG companies used to work closely with D-Mart on specific packages and brand extensions. When you compare with the dark stores of all these quick commerce players, specifically new players like Amazon and Flipkart, are you seeing a big change in your right to win?

Management: Yes, there are more players when it comes to competition this year. However, regarding partnerships with FMCG vendors, we haven't witnessed any shift in their focus on D-Mart. In fact, many are doubling down. I've had the opportunity to meet key vendors twice over the last year to discuss driving FMCG business in D-Mart. Assortment has to be an ongoing piece of work to understand what shoppers are seeking. If a brand is already successful in general trade, we typically get it from FMCG companies. If it is picking up in quick commerce or e-commerce, we look at what's happening in that space. We are not necessarily the place where a completely new

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brand launches, but once it gains traction and size, we bring it in quickly. Over the last couple of years, we've also introduced a fair number of D2C brands based on their success online. FMCG companies are focusing increasingly on D-Mart because we are a significant part of their business; in many cases, we are their number one retailer.

Avnish Roy – Nuvama Group: Second, recent FMCG results show food companies are growing faster than HPC. Slide 5 also shows non-foods has lost share to foods. Is GST driving this because of the rate cuts in Q3, or is recovery simply faster in foods?

Management: I don't see a significant difference between food and non-food on account of GST. The percentage differences between last year and this year are marginal and maybe a factor of inflation in different categories or the sales mix in different geographies.

Avnish Roy – Nuvama Group: Thank you. That's all from me.

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

Avi Mehta – Macquarie Capital: Hi team. First, regarding same-store sales growth, you highlighted competition and peaked-out stores. What is required for this to move back to double-digit levels? Second, on category mix, is it possible to see general merchandise share going back to historical levels? Lastly, regarding store additions, does the proportion of leased stores need to move up to add 15% annually?

Management: On same-store growth, the reasons are maturity, high density, and peak throughput in older stores. We typically approach this by opening more stores nearby to move some of that pressure. Same-store growth will likely hover in the current range and is not likely to go up considerably, barring changes in inflation.

Regarding assortment and general merchandise, we expect that part of the business to stay in the 22-23% range. We are happy with the progress in general merchandise and apparel. I don't expect it to return to historical levels, and there is no intent to drive it back to that level.

On store additions, we don't have a target percentage for leasing. Our driver is the 15% increase in our store base annually. If we cannot get land to own, we will use the lease option. That proportion might go up simply because certain cities may require it, but there isn't a fixed target number.

Avi Mehta – Macquarie Capital: Just on the first part, does competition from quick commerce not peak out, allowing us to move up on same-store growth?

Management: Some customers prefer quick commerce for the convenience of faster delivery, especially for lower basket sizes. That impact on our older stores will likely remain over the next few years while we continue to drive our own assortment and execution.

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

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Anand Shah – Axis Capital: Hi team. First, on margins, we've seen gross margin improvement over the last two or three quarters. What is the driver of this, given the mix is similar? Also on margins, staff costs have gone up significantly, almost 40% plus. Are we done with that build-up, or was it front-loaded due to accelerated store expansion?

Management: The gross margin went up by 16 bps without any appreciable change in product mix. Our healthy gross margin stays in the 14–15% range, which keeps us competitive. Regarding staff costs, there has been a significant upsizing for the capability build we mentioned. We are building the organization for a very large scale, so we are building staff costs ahead of the curve.

Anand Shah – Axis Capital: Regarding Tier 2 and Tier 1 towns, how are you seeing the throughput for stores opened in the last 2 years? Is growth tracking higher there than in metros because quick commerce competition is lower?

Management: Those stores are doing much better than metro stores and older stores. The throughput and pickup in these stores have gone as per our expectations.

Anand Shah – Axis Capital: So the same-store growth in those stores would be much better than your company average?

Management: Yes.

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

Garima Mishra – Kotak Securities: Thank you for the opportunity. Anshul, you've highlighted that D-Mart focuses on bulk procurement and prefers bulk purchase by customers. Is that thought still relevant given quick commerce focuses on high frequency and low AOV orders?

Management: We focus on bulk purchases from our vendors. Many of our customers still buy for their monthly or weekly shopping. Our business model provides significant value to make the trip worth it. A significant number of customers save a lot on their monthly budget by doing so. While people will use quick commerce for sheer convenience at 9 PM or 10 PM, it still makes more sense to come to D-Mart for the whole week or month of groceries to get that significant saving.

Garima Mishra – Kotak Securities: Is quick commerce competition affecting where you add new stores? Are most incremental stores added in Tier 2 or Tier 3 cities where quick commerce competition is lower?

Management: We are not driving expansion that way. Some metro stores reach saturation and require another store nearby to cater to customers. Expansion is also driven by our cluster-based approach. We want to increase density in the states we've entered to provide operational efficiency. We are still looking at opportunities even in Mumbai, Bangalore, and Hyderabad.

Garima Mishra – Kotak Securities: Regarding store-level margins, as older stores see compressed growth and inflation-linked cost increases such as minimum wage hikes, how do you ensure consistent margin performance?

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Management: We don't look at store-level margins in great detail with our store teams. We look at how we are doing at an overall level. As long as stores are productive, our expenses are in control, and throughputs drive performance, we are okay. We are seeing some inflation in wages, but the throughput increase in these stores is taking care of some of that.

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

Adnan Mitra – Goldman Sachs: Hi team. Are you making any changes in your stores regarding service standards or using consumer data to maintain a better share of the wallet in cities where quick commerce is becoming bigger? Also, why stick to a six-hour delivery? Is there insight that consumers value six hours, given service standards have gone toward 15-20 minutes?

Management: Quick commerce is now a relevant channel. We scout what is scaling up there and bring relevant items into D-Mart stores. We try them in a few stores and then roll them out fast. We don't launch new brands, but we bring them in once they gain traction.

Regarding slotted delivery, quick commerce is a model we are choosing not to play in. We believe our uniqueness lies in providing tremendous value to those planning a purchase for their month or fortnight. They are fine with delivery under 6 hours if it leads to significant savings. We want to grow the D-Mart Ready business in a responsible and profitable way by serving customers looking for value from a large basket.

Adnan Mitra – Goldman Sachs: Of the 85 stores added last year, how many were leased? Does this have implications for Capex? Also, since lease costs or amortization are below EBITDA, is it now more important to look at EBIT margins?

Management: We added 15 leased stores last year out of the 85 total. Total leased stores are 68 in the base of over 500. Under AS 116, the finance and depreciation cost comes below EBITDA, so you can look at PBT as a fair indicator. However, 15 out of 85 is not a large enough number to distort the P&L widely.

Adnan Mitra – Goldman Sachs: Growth has been volatile in the last three quarters—13%, 19%, and 15%. What were the specific factors causing this variation?

Management: We have tried to highlight this. In the quarter with 13% growth, we had deflation in our grocery and staples business. In the quarter with 19% growth, some was due to panic buying in March, which then had a spillover effect onto the following quarter which saw 15% growth.

Operator: Thank you. The next question is from the line of Amit Sachdeva from UBS. Please go ahead.

Amit Sachdeva – UBS: Hi, thank you for taking my question. Regarding the 15% expansion target, this implies around 75 stores annually. Is this right in the current context, or can it be 100 or 150? Is there a bottleneck? Could you use smaller 20,000 square foot stores and more leasing to capture value as competition rises?

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Management: We plan our land acquisitions and real estate building based on that internal 15% number. Given the vagaries of real estate, some years could be higher or lower. We have built a team that can scale more stores, but land acquisition and building property are challenges we don't want to rush. We want to make sure we get a store right from the first time. The option of leasing is open where we cannot own the land, which is relevant for markets like NCR. If a smaller store meets our requirements, we will go for that as well. Internally, we believe the 15% number provides us the bandwidth to do these stores properly and maintain a good growth band in the medium to long term.

Amit Sachdeva – UBS: Regarding D-Mart Ready, is this an omni-channel approach where you build capability within the store itself? Why not merge that business with the main store business to see it as one pin code's growth?

Management: There is no plan to integrate Avenue E-commerce with the Avenue Supermarts brick-and-mortar business. The online shopper has specific needs. Integrating with the physical stores would be hugely challenging given the intensity and footfalls in our physical stores. We will keep them separate. The only change is that we are now clear that customers have moved to a delivery model. Pickup points and other models will therefore take a back seat.

Amit Sachdeva – UBS: Given we are in an inflationary environment, will we see that 15% growth trajectory return to 19 or 20% structurally?

Management: We simply pass through whichever pricing is given to us by our vendors, whether it is a price decrease, deflation, or inflation. Whatever inflation occurs in the marketplace will get reflected in our pricing to customers.

Operator: Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra – JP Morgan: Hi. Could you share some color on operating metrics for D-Mart Ready, like transaction growth in mature markets like Mumbai? Also, regarding quick commerce risk, do you see that reaching Tier 2 and Tier 3 cities too? Lastly, could you call out any leadership changes over the past year?

Management: We do not disclose those specific metrics for D-Mart Ready. Regarding Tier 2 and Tier 3 growth, if we can continue to drive our brick-and-mortar business as we have for the last couple of decades—providing everyday low prices on consumption products—we will have a sustainable model. Organized trade in India is still a small fraction of the total business. Quick commerce is currently most active in dense metros. The question is if D-Mart brick-and-mortar is a sustainable growth model, and we believe the answer is a resounding yes because it is profitable.

Regarding D-Mart Ready, we want to prove the model in 11 cities—that we can provide the promised assortment, delivery time, and experience in a sustainable, profitable manner. Over the last few years, as we expanded into more cities, our losses grew significantly. We want to make sure these losses are reduced and we have a path to profitability.

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Latika Chopra – JP Morgan: Assuming same-store growth hovers around 7-8%, how should we think about net margins?

Management: Our margins have been in the 14-15% range at a gross level. We believe if we can be around a 5% net margin range, we are quite happy. I don't see any significant downside risks. 15% gross margin and 5% net margin should be the North Star for this business.

Regarding leadership, we need to keep building capabilities across senior management and store levels. We are also looking at bringing in talent in the technology space. As for the leadership team, natural progressions like superannuation or exits happen naturally, and we will inform you as they do.

Operator: Thank you. The next question is from the line of Jiganshi Gaur from Bernstein. Please go ahead.

Jiganshi Gaur – Bernstein: Hi, thank you for taking my question. Regarding employee costs, you've added 4,000 permanent employees this year, which is the highest ever. However, contractual employee count went up by only 2,200. Is there a change in approach at the store level?

Management: Every store we open needs a cohort of permanent employees, which is about 75-80% of that addition. Since the store count went up, the permanent headcount went up. Regarding non-permanent headcount, the disclosure is the position as of March 31. We have also driven productivity initiatives for manpower in stores and warehouses, which helped us optimize the headcount of the non-permanent side. The employee cost hike also reflects the implementation of the wages code from December and the March quarter.

Jiganshi Gaur – Bernstein: Which profiles at stores are permanent versus contractual?

Management: Frontline employees like cashiers, packers, and shop assistants are non-permanent. Management employees like department and store managers are permanent.

Jiganshi Gaur – Bernstein: You mentioned 900 crores of actual debt on your books as of March 31. You also have 1,000 crores of NCDs approved. Is this in addition to the existing 800 crores of commercial paper?

Management: This 1,000 crore NCD approval is to explore opportunities for reducing the cost of debt. We might go to 2,000 crores of total borrowing by the end of the year, but that goes toward managing Capex. Last year, Capex was upwards of 4,000 crores. This gives us flexibility to reduce borrowing costs and borrow for longer periods without interest rate risk.

Jiganshi Gaur – Bernstein: You've mentioned in the past that ramp-up time for new stores has increased as you move to new states. Is that reflected in the stores in smaller towns?

Management: SSSG is based on stores more than 2 years old. Ramp-up is very city-specific. In saturated cities, stores ramp up faster; in new cities, they take longer. It depends on how strong the D-Mart brand is in certain states.

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Operator: Thank you. The next question is from the line of Nehal Maheshwari from HSBC. Please go ahead.

Nehal Maheshwari – HSBC: Hi team. Anshul, concerning metro stores, did you say the new normal SSSG is the current trend, or are you talking about the prior year's level?

Management: Last year's level.

Nehal Maheshwari – HSBC: D-Mart's proposition is monthly purchases, but checking prices online shows pricing parity with quick commerce. If there is price parity but the store visit requires travel time and cost, how does a customer choose to visit a D-Mart store?

Management: We watch pricing with a hawk's eye across all channels. We are confident we are competitive on the majority of products. We look at it at a total basket level. If a customer is buying 5,000 rupees worth of goods, are they saving 1,500 or 2,000 rupees? That is the ROI for making the effort to come to a D-Mart store.

Nehal Maheshwari – HSBC: If our average order value is 1,600, are we giving a saving of at least 10-15% on every visit?

Management: Our belief is that we would actually be giving more than that. If someone is buying 1,600 on average, the saving would be significantly more than 10%.

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

Manoj – ICICI Securities: Hi team. Quick commerce is catching up in size. How does your value proposition evolve over the next three years?

Management: Organized trade, including quick commerce and e-commerce, is still roughly in the early teens. This includes brick-and-mortar. There is an opportunity for every format. Quick commerce competition is still largely in dense metros. We are not seeing large basket shopping reducing in metros; it remains stable and strong. We are not worried about the long-term impact on our model because the total market in India is so large. Shoppers will always have different types of shopping trips—sometimes convenience, sometimes experience, sometimes a monthly stock-up.

Manoj – ICICI Securities: Capital and people are not challenges, but you move at a 15% pace. What are the top three challenges stopping you from opening 100 stores?

Management: It is just that our chosen model takes time to build stores. We need to get the right, clean land and then build, which takes 2 to 3 years. We would not want to give up this moat. However, at some point in the future, we will open 100 or 150 stores annually as our base grows. At our current 500-store base, the 15% target is reasonable. Conversion of property short-lists to actual projects has remained steady.

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

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Ali Azgar Shakir – Motilal Oswal Mutual Fund: Thanks for the opportunity. In the last 10 years, your biggest competition was Kirana, and EDLP worked because scale was in your favor. Now competition is quick commerce, which has addressed assortment and pricing scale. Has the value proposition diminished because customers can get benefits without doing monthly pantry shopping?

Management: Total organized trade is still in the early teens. There is opportunity for every format. Quick commerce remains concentrated in large dense metros. We are not seeing large basket shopping reducing in those metros. As long as we keep driving our business well in Tier 1 and Tier 2 cities, we will do well. Shoppers take different trips; someone might buy for convenience one day and do monthly shopping another day.

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

Ashish Kanodia – Citi Group: Hi. Regarding store expansion, is 15% the right number for the next 5–7 years, even if you have to take a longer view?

Management: That is the right number for the foreseeable future. We have the capacity and the team to deliver this. What that number could be in 4 years is difficult to say.

Ashish Kanodia – Citi Group: Has the value provided to customers gone up versus 2 years ago because of competition?

Management: We do not want to make margins beyond reasonable levels. If we get benefits from sourcing or productivity, we pass them on to customers. We keep looking at competition to remain the best value retailer. It is possible customers are getting better value, but I don't have an exact number.

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

Surakshit Desai – IIFL Capital: Hi. Regarding the seven cities you exited for D-Mart Ready, why did the model not work there?

Management: The business contribution from those cities was minimal. We decided not to spend more time or resources trying to prove the model there and instead focused on the 11 cities where we have a sizable business. Capacity utilization, throughput, and order density were not ideal.

Surakshit Desai – IIFL Capital: Regarding consumer behavior, have you done studies that show if consumers visit stores less often or reduce bill size because of quick commerce?

Management: We haven't done that. We do not track customer data in our brick-and-mortar stores, so it would not be possible for us to track that shopping behavior.

Operator: Thank you. The next question is from the line of Vidisha from Ambit Capital. Please go ahead.

Vidisha – Ambit Capital: Hi. Which specific areas of the tech stack need an overhaul?

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Management: We will be looking at it at an overall level, from our ERP system to all our operations.

Vidisha – Ambit Capital: Do we expect any near-term margin trade-off from these investments?

Management: If at all, it will be very marginal.

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

Jay Gandhi – HDFC Securities: Hi. Why would your cost structure not improve after right-sizing D-Mart Ready, especially transport costs?

Management: In some of the cities we exited, our capacity utilization and order density were not as ideal as we hoped. That is why our labor and transport costs went up percentage-wise. We consolidated to remove the complexity of delivering in a network that is not as dense as we prefer. Efficiency gains should reflect in FY27 and onwards.

Jay Gandhi – HDFC Securities: How do you bridge the gross margin gap between online and offline? Is there an ad income lever?

Management: Online assortments are predominantly FMCG and less general merchandise, so operational precision must be significantly better. We don't really monetize our app experiences with ads right now; the focus is on stock-up missions and dependable service.

Jay Gandhi – HDFC Securities: How many D-Mart Ready outlets do we have today?

Management: We currently have 165 pickup points.

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

Devanshu Bansal – MK Global: Hi. We are growing at 16-17% but requiring external capital. Is debt likely to keep increasing over the next few years?

Management: Following our fundraise in 2020, those funds are now utilized. In the next 2-3 years, existing stores should generate enough capital for us to stop additional borrowing. The cost of a store in a metro is very different than in a non-metro. On a balanced number, existing store count should generate the needed capital.

Devanshu Bansal – MK Global: We do not have a meaningful presence in fresh. Do you see opportunities for category expansion?

Management: We are doing pilots in some stores with fresh fruit, which are giving strong results. However, there is no plan for a full-fledged fresh portfolio at this point.

Devanshu Bansal – MK Global: In Q4, you opened 60 stores. Were these operational for the full quarter of Q1?

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Management: Yes, all stores opened till March 31 were fully operational in Q1. New stores take time to ramp up, which is why there wasn't a massive immediate kicker in sales.

Operator: Thank you. The next question is from the line of Karan Thorani from Elara Capital. Please go ahead.

Karan Thorani – Elara Capital: Hi. You said LFL will be closer to the last financial year. Does that apply only to the next few quarters, or even beyond FY27?

Management: It's difficult to say what it will be the year after. In the coming financial year, we see this as possible to deliver.

Karan Thorani – Elara Capital: With Flipkart, Blinkit, and Amazon going aggressive in non-metro markets, could LFL converge below 5% in the medium term?

Management: We don't see that risk. In most smaller places, organized retail is even less penetrated than in metros. Whatever the competition, we will remain the best value retailer in those geographies.

Operator: Thank you. The last question is from the line of Vivek from Jefferies. Please go ahead.

Vivek – Jefferies: Hi. Have you thought about experimenting with quicker delivery formats?

Management: No, we are not looking at that as an option.

Vivek – Jefferies: Why not, if quick commerce companies are putting money behind smaller towns as well?

Management: We want to provide a service that is sustainable and profitable. We've seen an erosion of profitability with expansion in the past, and we want to ensure we don't continue that. Our approach is to prove the six-hour delivery model in these 11 cities. Once we are able to do that profitably, we will take it further.

Vivek – Jefferies: Why is there a reluctance to collect offline customer data?

Management: One value we drive is simplicity. We want the experience to be simple and quick for the customer. We avoid collecting data at the offline checkout to ensure checkouts are not time-consuming or complex. On D-Mart Ready, we do have customer data.

Operator: 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 the lines.

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