Lenskart Solutions Limited

Q2 FY27 Earnings Conference Call

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Moderator: Ladies and gentlemen, good evening and welcome to Lenskart Q2 FY27 Earnings Conference Call. To present the results, we have with us Mr. Peyush Bansal, Co-Founder and Chief Executive Officer, Mr. Abhishek Gupta, Chief Financial Officer, and Mr. Vaibhav Sachdeva, Investor Relations.

Please note that this call is being hosted on Zoom with the presentation on display. For participants who would like to view the presentation alongside the discussion, please join via a Zoom link shared in advance.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, you may use the chat option to interact with the moderator. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Sachdeva, Investor Relations from Lenskart. Thank you, and over to you.

Vaibhav Sachdeva: Thank you. Good evening, everyone, and thank you for joining Lenskart's Earning Call for the second quarter of Fiscal Year 2027. Before we begin, I would like to remind you that some of the statements we make today may be forward-looking in nature and are subject to risks and uncertainties. The conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call.

These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. We have uploaded our Quarter 2 results and a detailed shareholder letter on our website and stock exchanges. Please note that consistent with our IPO prospectus, the numbers we present today are on a pro forma basis for like-to-like comparison unless stated otherwise.

Pro forma financials consider Dealskart, Meller and GeoIQ as if they had always been part of the company, whereas reported financials include them only from their acquisition dates. From Q3 Fiscal 2026 onwards, the two are identical; the difference exists, only, in the prior year comparatives, Q2 Fiscal 2026 and H1 Fiscal 2026.

We will begin today's session with opening remarks from Peyush and Abhishek. During this time, everyone will be on mute. Following the presentation, we will open up for Q&A. With that, I would like to hand over to Peyush.

Peyush Bansal: Good evening, everyone, and thank you for joining us. As always, we are grateful for the trust you place in us with your capital and with your eyes. The size and depth of the vision care problem are far greater than we can imagine. Last quarter I touched upon this, and numbers this quarter only reinforce our belief in the scale of the problem and opportunity.

To begin with, let me take you through the key financial highlights of the quarter. Revenue grew 32.5% year-on-year to ₹2,845 crores. EBITDA grew to ₹624 crores, a 46.6% jump year on year. EBITDA Pre-Ind AS grew 65%, twice as fast as revenue, with margin expanding from 11.1% to 13.8%. PAT more than doubled to ₹232 crores.

For the half year, revenue of ₹5,559 crores increased 1.3x year-on-year. EBITDA Pre-Ind AS increased 1.8x year-on-year to ₹753 crores. PAT of ₹461 crores is already 87% of the whole of FY26. And on a trailing 12-month basis, we have now crossed ₹10,000 crores of revenue, ₹2,200 crores of EBITDA, ₹1,300 crores of Pre-Ind AS EBITDA, and close to ₹800 crores of PAT on 40 million eyewear units.

Like I always say, measure us over years, not quarters. Behind the financials, this quarter we conducted 80 lakh eye tests globally, up 40% year on year. In India, around 70 lakhs, that is 78,000 Indians a day. Units grew 27.1% year on year. We added 165 net new stores globally, taking the network now to 3,624 stores.

In Q2, India delivered same-store sales growth of 20.8%. With same pin code growth of 27.1%. We have said too little about Hustlr Club. A face scan on the app and a complete pair, frame, lenses, and warranty, all for ₹500. Lakhs joined this quarter, many owning glasses for first time. It is one of the ways how we hope the next 100 million Indians find us.

Also, this quarter, Lenskart Gold crossed 1 crore active members in India, up 39% year-on-year, with ₹73 crores of gold fees collected in the quarter, up 55% from last year. It is the quietest and most powerful thing we are building. Our brands are also learning to speak the culture.

This quarter we have launched John Jacobs with Masaba. We also launched Shunya, which brings Indian classical music into a frame, a beautiful collection right down to details inspired by the sitar and flute. We brought it to life with Sounds of Shunya, 10 artists across 5 evenings including classical vocalists, sitarists, and popular musician duo The Backstage Siblings.

In Singapore, we launched a Game of Thrones collection. From the iconic emblems of the great houses, temples shaped by swords and armor, to the 3 words every fan knows Winter is coming - every detail of that world is captured on the frame.

And this week only, we have launched John Jacobs with designers Shantanu and Nikhil. If you look closely, you will see the intricate details - the S&N mark on the frame, a thin metal line along the temples, and their signature navy and cherry red colors tucked into the hinges. This is the kind of craft we are building into our frames, and Meller's unique take on Diwali is launching today.

And now the number we watch most closely. Our Net Promoter Score. Opening a store a day while holding our standard is hard. India NPS, as you are aware, dipped to 77.6 in June, but we assured you that we have been working hard to get back to our NPS levels. I'm happy to share with you that in this quarter it is back at 79.6. That recovery, on a ship this size, is what we are proudest of this quarter.

Last quarter we told you Indians - India has not bought its glasses yet. By 2030, 94 crore Indians will require glasses, and this is the goal. It is why we say India needs at least 10,000+ Lenskart stores. It is only fair that we tell you what kind of company it will take to change that. And show you where we are on building it.

We believe it needs 4 things this industry never had. First, it will be an engineering company. The hardest problem in eyewear, the eye test above all, will not be solved by hiring more or spending more. 100 million pairs a year needs 80 million eye tests. So, we are engineering the eye test. Remote optometry now in 934 stores, and also Drysh, the AI-assisted eye test, is in pilot.

Similarly, one needs engineering for myopia control lenses, just-in-time manufacturing, supply chain, and more. Second, it will own its supply chain end-to-end. That is why - that is the only way to make a ₹500 pair profitably and give it the experience of a ₹50,000 one. A complete pair at that price will be only possible if the frame, the lens, the fitting, and the store are all ours. And I believe in time the same will be true for smart glasses too.

Third, it will build brands people want to wear. Brands that speak the culture for everyone at every price. The same platform that gives India Hustlr also gives it John Jacobs, Meller, and OWNDAYS. That range is not a side effect of the model, it is what makes it work. The Hustlr brings the volume that keeps the factories running at scale, and that scale lets us make a designer pair to the same standard, standard at a compelling price.

And fourth, it will never believe its customers are satisfied enough. It will keep innovating and keep surprising them. That is the company we are trying to build. It is easier said than done. It has to push harder, think like founders and builders, and change as fast as the world.

If one word holds all 4, it is Evolve. We named our new concept store Lenskart evolv for that reason. It opened in Utopia City, Worli, Mumbai, on a belief that the future of eyewear will be shaped not just by the products we create, but by how people discover and experience them. It brings design, culture, and technology into one immersive space, the first expression of what an eyewear destination and the Lenskart brand can aspire to.

Walk in, spend an hour, and you will get a flavour of the culture we are building and the bar we hold ourselves to. Raising the standard, refusing the status quo, thinking from first principles. With that, let me hand over to Abhishek for the segment results.

Abhishek Gupta: Thank you, Peyush. Good evening, everyone. Let me first talk about the India business. India revenue grew 35.3% year on year to ₹1,668 crores. First half revenue grew 33% to ₹3,199 crores. And as we keep saying, in our business, growth and profitability are positively correlated.

EBITDA pre-IND-AS 116 reached ₹267 crores, up 61.5% from last year, which translates to a margin of 16%, up 2.6 percentage points from 13.4% that we did last year. Product margin was 64.0% against 63.4% last year, and most of the gains from in-house manufacturing were actually consumed by the rupee's depreciation this quarter.

In terms of operational highlights, India eye test grew 44% to 70 lakhs with remote optometry now live in 934 stores, up from 303 a year ago, powering the volume-led growth. Eyewear units up 26.5% to 86 lakhs. The same-store sales growth was 20.8%, up from 14.8% a year ago, broad-based across the tiers.

Same pin code sales growth of 27.1% ran 6 percentage points ahead of the SSG. Densification continues to add demand, not divide it. We added 143 net new stores, 94 in Tier 2+ towns, entering 61 new cities, taking us to 2,868 stores as of 30th September.

Now coming to the international business. International revenue grew 29.5% to ₹1,201 crores and about 23% growth in constant currency terms, growth across all our markets. EBITDA pre-Ind-AS reached ₹127 crores, up 87% from last year, which translates to a margin of 10.6%, up from 7.3% last year.

Product margins expanded to 77.1% versus 75.5% last year on deeper supply chain integration of OWNDAYS and Meller and higher sunglasses mix. Growth was volume-led and largely same-store-led. Eyewear units grew 29.7% and transacting customers were up 22.7%, with 22 net new stores added during the quarter. Sunglasses grew strongly, led by Meller, and a flat sequential revenue after Q1 seasonal peak is the normal shape of the year.

Now coming to cash flow, operating cash flow was ₹388 crores for the first half of the year after working capital buildup as inventory was rebuilt ahead of the festive season, like we had indicated in our quarterly earnings report. This funded the store capex of ₹187 crores for the 297 net new stores that we added.

And after including the ₹108 crores of other income and inflows, covered the plant and other capex of ₹297 crores, leaving net cash inflow of ₹12 crores before M&A. Return on capital employed was 22.5% for H1 of the year versus 19% last year. And 14.6% for full year FY26. Improving profitability and disciplined capital allocation is evident in the numbers. With that, let me hand back to you Peyush.

Peyush Bansal: Thank you, Abhishek. One question comes up in our investor conversations lately more often than any other: why we believe a 25% EBITDA pre-Ind-As margin is possible in the long term. This quarter we have added a note on this in our letter. Let me also take you through it here.

Our margin comes from one thing above all - how much of the chain we own. Seven things decide the profit on a pair of glasses: who owns the brand, who makes the frame, who makes the lens, who edges and fits the pair, who sells it, who does the R&D on materials, and how the whole operation is run.

Lenskart chose to own all seven from factory to face. We did it so that one party answers to the customer for the whole pair, a single throat to choke, and each of these seven also becomes a pool of profit.

With Vincent Chase, John Jacobs, OWNDAYS, and Meller, we own the name of the pair and the margin behind it. Licensed collections are also exclusive to our markets. Part of this quarter's rise in India ASP came from customers choosing OWNDAYS premium lenses. We will keep expanding our brands portfolio.

Second, we mould the frame ourselves in our factories in India, China, and now also in Thailand. In-house frames went from 44 lakh units in FY23 to 78 lakh units in FY26, a 20% CAGR, and growth has now stepped up to a different pace. This quarter, we manufactured 72% more frames from last year. Every frame moulded in India no longer moves with the dollar, and every step we bring in-house is one less margin we pay outside.

Owning the mould and the process was the first leg. Tooling and plating comes next. More of it in-house and more of it in India, and the mould cost per piece keeps falling with scale. Similarly, lens manufacturing - progressives, complex powers, premium coatings, including OWNDAYS premium lenses We now make more and more of them in India.

In-house lenses went from 21 lakh units in FY23 to 56 lakh units in FY26, and 52% more this quarter than a year ago. Some of these India-made lenses already reach our international markets. Making more of lenses in-house, sending more of them to our international markets, manufacturing sun lenses, and more are big opportunities here.

Similarly, a pair has to be made to measure. It does not have to be made by hand in a shop. Nearly every pair, every India pair, is made centrally in Bhiwadi or Manesar, and Bhiwadi runs at 75% automation. Fitting, quality control, and packaging are still largely manual, and that is the headroom. Scale is the biggest lever.

On top of it sit automation, robotics, and pre-making the most common pairs in bulk. Data tells us what will be ordered. Hyderabad, built for 50 million pairs a year under one roof, and around 12 months from commissioning takes all of this to the next level. We own the stores and the customer relationship. The retail margin is ours, and so is every eye test on record. That record trains our technology.

Since stores' team and rent are largely fixed, large part of the same-store growth will flows through. India rent fell to 5.7% of revenue from 6.1%, with same-store growth of 20.8% running well ahead of roughly 5% annual cost escalations. Add better conversion and more efficient marketing, and more of that growth becomes profit. And now we do not just make a pair cheaper, we make it better.

Air frames weigh almost nothing and do not break, and customers pay a premium for that comfort. Night drive lenses went from lab to store in months. Myopia management lenses for children are a category we are building. Because we are direct-to-customer, each of these is designed to what customers actually need.

We have only just started here. But we believe R&D will become one of the largest generators of both value and profit in the long term. And seventh, we are building a company that can make 100 million pairs a year and run 10,000 stores increasingly through systems and automation. Being an engineering company at heart, we build the entire operating system ourselves.

Our stores run on our own point of sale. Our eye test machines on our own software, our factories on our own software NEX's, replenishment on Argus, site selection on GeoIQ. This year, CRM, call handling, and talent acquisition outsourced for years also came in-house, and OWNDAYS and International are moving on to the same platform. The more runs on one system, the more powerful it gets.

AI is not a separate project here. It is how we run the business. That is the path to 25%. There is still more to build in every pool, and every pool we deepen makes the others worth more. But to be clear, we have a small percentage of the global eyewear market. Growth always comes first.

Profitability is running ahead of where we expected it to be. And we intend to use that room. More marketing in the right places, more of Bharat, and scaling internationally while the unit economics play out. We will not put a timeframe on 25%. Read our margins over years, not quarters. The quarterly numbers might move, the direction will not.

Before I close, a thank you. Last quarter, I invited you to walk with us. You walked 800 million steps, 15 times around the Earth, and 30,000 underprivileged people got glasses from Lenskart. It is still day zero. Wishing you and your families a very Happy Diwali. With that, we'll open the floor for questions.

Moderator: Thank You very much, Ladies and gentlemen, we will now begin the question-and-answer session. Participants connected on zoom may please use the raise hand option, participants connected through audio may please press star and one on their phone now. We'll wait for a moment while questions to assemble. We'll take our first question from Devanshu Bansal. Devanshu, please introduce your company name and go ahead with your question, please.

Devanshu Bansal: Yes, sir. Hi, good evening. I'm Devanshu from Emkay Global. Thanks for the opportunity and congrats on very good set of numbers. Peyush, I just wanted to better understand your margin trajectory. So, you have indicated the focus is on growth, which will require strategic marketing investments, while the long-term margin potential is pretty healthy at 25%.

So wanted to better understand if we will continue to see margin gains on an annual basis in the near term, or the gains will be more back-ended. If you could just throw some light here.

Peyush Bansal: Hi, Devanshu thanks for asking the question. See, you have seen that, and as Abhishek said, in our business revenue and profits are quite positively correlated, and from that perspective, the more volumes we grow in the long term, the margins will continue to grow. However, we need to make investments ongoingly quarter on quarter like we have so far in creating, opening up the market for Bharat, also in creating a brand that can outlast the campaign because we at Lenskart have not necessarily believed in transactional level marketing.

We always believe that we need to do marketing just like we did Lenskart evolv which can build the brand for a very long term and create that pull. That is the reason why we have seen so much leverage come over time. So, year-on-year margins should expand, but I would urge people to look at 12-month trailing versus quarter-on-quarter.

Devanshu Bansal: Fair enough, sir, that's pretty clear. Secondly, just a bookkeeping thing. So, there was a GST cut last year which may have led to some shift of demand to Q3. So wanted to check if the base is sort of high for H2 and whether we should take a note of this while we are sort of estimating for current H2.

Peyush Bansal: Yes, great, thanks. So overall, look, my view is that quarter will always move with the campaigns, product mix, and base effects. The number at least we work on internally is on the volume growth. If you look at our volume growth over last 12 months, it is about 26%. In this quarter also, we did 26.5%. That is unit growth. Right? And that is the number that we work towards most importantly.

The second number that is very important is the quality of that growth, and are we really opening the market? The 44% gain in eye tests in India is another number that tells us that we are opening the market. And the SSG of 20%[i] shows the quality of this growth. So, I would say that look at a trailing 12-month volume number as how we build the business. Rest premiumization happens. We are opening Bharat, so quarterly numbers fluctuate.

Moderator: We take our next question from the line of Nihal Mahesh Jham from HSBC. Please go ahead.

Nihal Jham: Yes, Hi, Peyush and Abhishek. Good evening and congratulations on the strong performance. Two questions. One is your ASP is obviously being discussed and you've always focused on the fact that you want to obviously keep introducing value options. And despite that we've seen a good uptick if you compare versus last quarter or last year. So just wanted to understand, is it a case of premiumization that is outstripping the value launches?

Peyush Bansal: Yes, Hi Nihal. See, overall, this we are working on both ends of the spectrum. The ASP increase comes at the back of people choosing more progressive and premium lenses at Lenskart. We do not manage the ASP. One of our top goals right now is to build the next 100 million Indians into the Lenskart ecosystem.

So, ASP is coming increased because of introduction of products like John Jacobs with Masaba, Shantanu and Nikhil and customers really actually welcoming the OWNDAYS lenses that we have launched. But we do not manage the ASP. Of course, there are quarters where volumes can take over the ASP, but that I think will change with every quarter.

Moderator: Thank you. Next question is from Mihir Shah. Mihir, kindly introduce your company name and go ahead with your question, please.

Mihir Shah: Hi team good evening. This is Mihir Shah from Nomura. Thank you for taking my question and congrats on a good set of numbers, especially on sustaining margins despite the high volatility in currency and raw materials.

Two questions here. One, how should one think about the realization per piece going forward? In the last year, in the second half, it was higher. And of course, I understand that more designer products and Progressive is driving that up. But I think it was also a function of the free lens offer that was offered that time, which had some kind of influence as well on the second half of last year.

So, on that higher base, how should one think about realizations going forward? And will the work around premiumization help you tide over that? So that's one. Second thing I wanted to check was on the international business.

On the international, the volume growth also since 3Q of last year, volume growth has actually materially stepped up. Can this growth sustain over the time? And even that 8% margin on international, will it be the new normal going forward? So, these are my two questions.

Peyush Bansal: Yes, Hi Mihir, thanks for asking the question. So firstly, on the realization, I would say again, we continue to stay focused on the volume number. Progressives, we have invested a lot in improving the eye test experience of our customers. We have been digitizing measurement, and that has caused it.

Of course, when you run a campaign like New Lens Replacement, it would normalize. But we are also running Hustlr, which is a ₹500 glasses in a massive way right now, and we, we would see more and more coming from there. So, it's very difficult for me to guide on that, I would say that this is our core priority.

It definitely remains on volume, and it comes on both ends of the spectrum. I'm not saying that we are only looking at volume at the sub-2,000 price point. We're also looking at making sure that our existing customers continue to buy more and more. If you see, there is an interesting data that our units per customer has actually grown this quarter from 1.8 to 1.9. That shows us that the customers that we acquired through new lens replacement, were actually high-quality customers.

And it is very important for us to keep balancing the two. On one hand, we acquire customers, whether it's through new lens replacement or now increasingly from Hustlr Club. Will these customers repeat at the cohort? And we need to manage that. And just like we want to manage people at both ends of the spectrum

I would just say at this stage where Lenskart is right now, particularly in India, it is a market to build. It is not a market to just capture right now. And we clearly feel this is the time, this is too early in our journey in India,

and that's what we tried to communicate in the last shareholder letter, that the opportunity is so large and we are seeing the depth with every quarter that goes by.

We should right now be figuring out more and more, and that is why so much more focus on widening the funnel which creates the biggest opportunity for us as we improve conversion. It gives us the opportunity to scale. That remains the top priority.

Coming to the second question on international, look, I think the market that we are operating in this problem in myopia is not just in India. There are two things that are happening globally. One is particularly in Southeast Asia, myopia rates are right now growing very rapidly.

Second, people are looking at alternate D2C brands globally, you can check. So, I think the volume growth there is coming as a result of primarily that because people are looking at - we are not playing the game there again to raise the ASP. In fact, ASP has largely been flattish there and we have not even started our journey for market creation there.

We are still slowly and steadily building the, the model there. I think margins, product margins, we had anyway said that as we integrate more and more the India supply chain with the international supply chains, we would see margin, product margin expansion.

And we obviously continue to see a lot more opportunity there. And so, the more growth will happen and product margin getting streamlined, the EBITDA should come in line. But it is difficult to guide, to a particular number at this stage. It's too early, even more early than India and international.

Mihir Shah: Fair point, Peyush. We completely understand that and we take that. Thank you and wishing you all the very best.

Peyush Bansal: Thank you.

Moderator: Thank you. Next question is from Amit, kindly unmute

Amit Purohit: So, Amit here from Elara Securities. Thank you for the opportunity and congrats on good numbers. I just wanted to understand more on this Lenskart evolv. I know it's a new thing but if you could provide some more insights in terms of how do you think about it over the next 1 or 2 years, what the rationale - I understand that it would be a differentiated experience from the consumer perspective, but from a store economics, or how do we think about that?

And even the kind of ASPs in this kind of a store would be on an average, if you could highlight this. And just one added to it is just insights on - you talked about this quarter OWNDAYS also helping into the realization increase in the India business, but how has been Meller and Progressive lenses qualitatively? If you could provide some insights, that will be helpful.

Peyush Bansal: Thanks for asking the question. So, the first question Amit, I think you asked was on Lenskart evolv. So, see I think overall, I think if I look at the global ecosystem in consumer experience and retail, both things need to evolve, no pun intended the product and also the buying experience. And this is a pattern you would see globally everywhere.

And globally I've seen especially the kind of brand that we're trying to build at Lenskart, most of people just know Lenskart as a great place to buy high-quality specs at affordable prices and good customer experience. I think our idea was to take this to a completely different level with the consumers and raise the brand aspiration. So, it is a pilot, it was a pilot in many senses.

I would say that I've got a very positive response in the first month we have launched, although it is too soon. We haven't really planned that we will open these many Evolv stores yet at this stage. But one thing is for sure that as a Lenskart brand we do want to keep raising the bar on customer experience.

If I look at the last decade of journey that is what has always worked for us, to not stay static at any level because we are in some ways in this category trying to compete with ourselves and in other categories. Because in most of the categories, you go to a Nike Town in London, and you go to all other lifestyle categories, the experience is far ahead.

We have unfortunately never seen eyewear in the same way. And our job at Lenskart from the very beginning, earlier when we did buy one get one or when we made eyewear fashionable and brought these concepts of eyewear for Diwali, eyewear for fashion, and now we want to do the same in experience. I think that is all we're trying to do right now and create that experience.

And to be honest, we're very, very happy with the response that we're getting. It is not an initiative right now to say, okay, let's build a store with higher ASP. That is not the goal here. The idea is to innovate on the customer experience, and there's a lot of learning to take here which you will see us adopting in all our other stores.

And maybe we will open more of such stores also, but it is too early to comment on that. What I would definitely take from Lenskart evolv is the overall mindset that we want to build Lenskart on. Not just here, because to build a global consumer brand out of India will require doing things in raising the bar beyond the status quo. And I think that is what I would take away from it.

Amit Purohit: The second question was around progressive lenses, which you indicated OWNDAYS has been one of the drivers for ASP increase this quarter.

Peyush Bansal: Yes OWNDAYS, so I think overall we have shared in the last quarterly report that we have seen a large number of consumers adopting our premium lenses and in progressive increases because we have been spending a lot of time in bringing consistency in our buying experience and in our eye test experience.

We have been digitizing the whole customer journey for Progressives, which conventionally and traditionally has been very manual where you put two dots on a frame and somebody takes the measurement. And so, we have been - we have moved a large part of that digitally already.

And as you go into the Lenskart store, you will see more and more of it digital. We have also been using a lot of AI to streamline our overall eye -test accuracy in the ecosystem. So that is what Progressive is doing.

Moderator: Thank you.

Amit Purohit: Happy Diwali.

Peyush Bansal: Happy Diwali, Thank you.

Moderator: Next question is from Arnab Mitra. Arnab, kindly introduce yourself and go ahead with your question, please.

Arnab Mitra: Hi, this is Arnab from Goldman Sachs. Thanks, Peyush and Abhishek, for taking the question. Congratulations on a very strong quarter. I had actually two questions. First was if you could just help us appreciate the AI eye test, how big of an unlock will this be versus let's say remote optometry, which has of course been a big unlock for increasing eye tests.

And as you go forward, does remote optometry and AI-assisted eye testing go together or the AI-assisted thing can fill the gap because there is still a large number of stores where the remote optometry doesn't operate? That was my first question.

And the second was just on international store expansion. Do you think the capacity addition in Hyderabad is a critical level requirement for significantly upping the store expansion in international, or are there other things that you're waiting for?

Peyush Bansal: So firstly, if you look at the problem, we have at hand here is that there are just way too many people who need eye tests, right? And there is possibly no other way but to engineer this, in my view. We are not creating more optometrists. We need to make sure that our optometrists have the tools to do a lot more eye tests per optometrist. And that is the belief that we are working with.

Definitely remote optometry unlocks this for us, and that is the reason why we have been able to open almost a store per day this quarter in Tier 2+. This was not possible a year ago. What Drysh does, which is - is take it to the next level, because if an optometrist could do 2x more eye tests with the current model, with this odd model, possibly they could do 20 times more eye tests. So, from that perspective, is it going to be a big breakthrough? Yes.

And are we seeing very positive outcomes? Yes, it is already live and piloted in a few stores. We have customers doing this, eye test. We are constantly measuring. Of course, we are dealing with a very sensitive area. We have optometrists that log on to the call while this is happening. We are putting more data into the SLM, which is training it further to higher levels of accuracy.

We are using our optometrists more and more for complex cases. So yes, in my view, this is going to be a big breakthrough, but there is still time before we perfect it. But I don't think we have a choice. I mean, we have a billion people who will need to learn and grow, and we will have to figure out ways to do that.

For international store expansion and the capacity release. So, look, we are increasing our capacity in our existing plants also every quarter that passes by to meet the demand. Hyderabad we showed the video during the presentation, it's coming up well. I think we are trying to accelerate that as much as possible, but we'll be able to manage the growth.

And on international store expansion, we have been slowly and steadily accelerating it. If you see overall, we have opened in H1, 38 new stores versus 22 last year. And as unit economics are playing out, the playbook remains the same. We are, and like we did in India, just slowly and steadily accelerating it. We don't want to be rushing to give support.

Moderator: Next question is from the line of Harit from Investec. Please go ahead.

Harit: Yes, hi, good evening. So, I just had one question, when I look at your gross margins both in India and international, you've seen expansion across both and obviously you've mentioned several factors here, whether it's the backend sourcing improvements, or in your case this time in India, even a higher ASP. I know you're not working towards that, but that's how it's played out.

I just wanted to understand what have been the negative factors on the gross margin this time, especially on the cost side. You've seen a significant cost inflation overall in different elements. Just wanted to get either quantified or qualitatively give a sense of what would have been the down elevator, if any, to the gross margin, or what challenges you've been kind of working with this time around.

Abhishek Gupta: Thank you, Harit for asking this question. This is a major focus that we have here at Lenskart. So, if you see last 2-3 years, we've been increasing our product margins both in India and international. In international, we have added from 75% to now to 77% product margin, and India 63.4% has gone to 64%.

So, there are two or three tailwinds as we work towards this product margin line, and then there are a couple of headwinds, right? The tailwinds in this are more and more insourcing of backward integration, which means producing more frames in-house, whether it is in India or in our factories in China and Thailand, and producing more lenses in-house.

And then the other thing is making more and more in India. And finally, the volume and scale economics, as we are doing, let's say, double of what we were doing four years ago, then we are able to negotiate better costs with our vendors. So, all of that are the productivity benefits that come with scale and backward integration.

The challenge that we've been grappling with is largely around FX. The raw material on this is largely imported, right? So, if you see the INR versus RMB exchange rate, if you look a few quarters back, it used to be around ₹11 or ₹12 to RMB. Now it is ₹14.2 as of today. So that is one challenge that we have been working with our vendors and scale to offset it. And we have done some structural solutions to it, right?

We have invested more in our capacities in Thailand, long-term investments that we have made by increasing our stake in our joint venture in China. And then finally, more and more of it which gets made in India will ultimately offset the volatility that comes with imported input. At a Group level, I want to be very clear that at a consolidated business level, we have a natural hedge in our business because we also have almost 40% of our revenues coming from non-INR countries.

So overall, the P&L has a natural hedge and currency protection, but from an India product margin line currency continues to be one thing that we solve for structurally and long-term orientation basis. The other effects that we see, whether it is on packaging, on logistics, on oil price-led input cost inflation, that effect is very minimal because our products are third-order derivatives of oil and therefore there is less impact on costs on that side, but currency remains the major impact.

Harit: Great, thank you. Wish you all the best.

Abhishek Gupta: Thank you.

Moderator: Next question from Ashish Kanodia. Ashish, kindly introduce the company name and go ahead.

Ashish Kanodia: Yes, thank you. This is Ashish Kanodia from Citi. My questions were firstly on Hustlr in terms of how big currently it is in terms of volume in India and what kind of opportunity you have seen it opening in terms of maybe getting customers from much deeper, smaller markets or maybe getting more frames per customer?

So just trying to understand how Hustlr's experience has been in terms of new customer acquisition or in terms of getting more pairs per person. And also on the international part, the question is around, are you also looking to enter into any other larger markets such as maybe US, Europe, etc.?

And also given the kind of cash-rich balance sheet you have plus the operating cash you are generating, if you have to do, get into any larger markets, will the thought process be more organic or inorganic? Thank you.

Peyush Bansal: Yes, thank you. Thank you, Ashish. Yes, Hustlr right now is our most exciting project, I would say. It is still very early in the journey. I would say it's nascent. It has taken us many years to crack a pair of high-quality glasses affordably at ₹500. It's not an easy - been an easy journey, but now that we have worked on it for so many years, I think we have to give it a little bit of time for it to show the impact it can create.

And I think, yes, so far, I would say lakhs of people are coming. They have started their journey online. They scan their face, and then they can go collect a pair of glasses at a store. They can change the size, they can add a prescription lens, and we are learning every day more and more. And we are also innovating on more colors. We are now manufacturing a lot more of Hustlr's in India.

But I would see this more as an initiative directionally of what we will do more and more of, whether it is Hustlr or whether it is something else, it is one of our ways. We are quite obsessed about taking our 30 million to 100 million. And we want to get to get there because we are serving the ambition is to give vision to a billion people. So those step jumps need to be taken and I think, Hustlr, so far, I would say we have been happy with.

That being said, we have a lot of work to do in it to manage this kind of scale, to manage logistics for it to reach Tier 2, Tier 3 cities, to make all of it work profitably, to manufacture such large volumes of frames as well as lenses because what we're dealing with is a prescription business. So yes, I would say it's an early start but a lot of work to do.

On international, so far yes, we have - we are sitting on a healthy balance sheet right now. We continue to keep our priority as investing in Hyderabad right now, accelerating our store opening slowly and steadily in international, which we have done so far in H1. In India, we are now almost open, in the last period, we have opened 1.8 stores a day right now if you put India and global.

And we want to make sure we do this with an experience which is long-term and lasting. And that is the part we want to continue to balance. Cash definitely gives us the room, but it is the execution that is slowly earning us the right to use it judiciously. There are a lot of opportunities. I have said we are adding more and more to our brand portfolio also right now. So yes, too early.

Moderator: Next question is from Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Thank you for the opportunity. Questions that I have firstly is on the Tier 2+ cities. This is seeing aggressive scale-up coming from you. Wanted to get some flavor on what are you observing in these markets in terms of consumer purchase behavior, in terms of repeat purchases, propensity for number of pairs?

And of course, are the unit economics still at par with what you see in metro cities? And the second bit would be helpful if you could share some qualitative color on how same-store sales growth trends are behaving in your key international markets? Thank you.

Peyush Bansal: Thanks, Latika. Tier 2+ so far the fact that we have been scaling that aggressively is because we are seeing very positive outcome. I think largely whether it is international, when we entered, we entered with the belief that what kind of value creation we are doing. I mean, to enter a market like Singapore wasn't an easy decision, but when you look at the gap, the problem of myopia there, the price which customers paid that told us that we will be creating 10x value for customers, so it will become sustainable sooner or later.

I think in Tier 2+, what we still continue to observe is that the value creation we do for our customers is more than what we do in Metro and Tier 1. In some sense because the optionality of eyewear that we are able to give them. I mean, you are even able to give night drive lenses, we are able to give OWNDAYS lenses, we are able to give Progressives. And we have been investing so much in our logistics to reach these people faster and faster without compromising on customer experience.

You can visit any of our Tier 2 cities, it's not like you will see a different store than a Tier 1 city. We are not differentiating in those customers, and I don't think customers are differentiating in how they buy from Lenskart. At the end of the day, we are quite affordable, I would say, at a certain segment. We are becoming more and more affordable, not just for tier 2 but for Tier 1 and metros also, to open up the Bharat.

And then there's the premium segment. We are still, although only 2 years into the journey of scaling this up, maybe we will begin to see certain trends which will keep you boosted. Right now I would say we see similar same similar sense of growth, a lot more opportunity and value creation in these. And in international, I think the question on SSG, because the store addition is very while accelerating, it is still 22 on a base of 700+ stores.

So, from that perspective, almost all of the growth is in SSG at this stage. But we are very clear on our strategy on international. We will continue to play the playbook of volume expansion because I think that is our USP comes by offering the largest variety at the best possible price with at a 79-80 NPS and even more.

And that is the playbook we continue to run. And we haven't even started expanding market in international through all of these other initiatives we are doing in India.

Moderator: Thank you. Next question from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman: Hi, thanks for the opportunity. So firstly, can you give us some sense of on when you sort of plan launch of smart glasses? Now one of the things I was noticing on a lot of e-commerce sites right now is very aggressive push across price points.

So, I was wondering what sort of the wait was in launching at this point. And second, from a perspective of store additions, any change to sort of store addition guidance, yes, in India?

Peyush Bansal: Aditya, thanks for asking the question. So, we, as we have been guiding, we have been taking a very slow and steady approach in it in terms of getting capability, getting feedback. We first launched the glasses around April this year. With a signup list, we got it to a few hundred thousand people.

They gave us a lot of feedback on what they're looking for. Then we have been making software and firmware releases almost, I would say, every two weeks or so to optimize the experience. We have been - there's a lot of stuff customer has been asking - nutrition tracking, daily reminders, calendar integration, health integration - but some of the more SaaS features, we have been rolling them out.

People have also been requesting they want more battery life. So, we are constantly optimizing the algorithm to update it. A better case for batteries also on the way. We just made - and we got a slightly higher demand than what we anticipated, so then we had to go back and increase our production. We have just now managed to put this in 500 of our stores.

Maybe just a week or two back it started being available in all the stores, trainings are going on. What we are noticing so far is that about 90% of people are buying it with prescription and with an eye test.

And I think that has been our thesis that at the end of the day smart glasses are going to be glasses and that is the moat that Lenskart brings in terms of distribution and making sure it is prescription and post-order service is going to be. I think just like phones, you will see a flood in the market. There are all different levels.

We are taking our approach to make sure that we play at a certain quality level of what we want to build, and we want to own the ecosystem. We have been building our capabilities on both software, firmware, hardware, and there is a lot more pilots that you will see coming along the way. But yes, we are beginning to see adoption in the product every day that passes by.

And soon it will be available in more and more stores. On the FY27, we continue to go with the same that we will try and deliver what we delivered last year. We want to make sure that a new store expands access but does not dilute the experience at any level and we need to keep managing that.

At any point we feel that the experience is even becoming better from an NPS perspective and we can manage, we'll keep you posted in the process. So, you're definitely seeing that we're expanding more and more in Tier 2+.

Aditya Soman: Very clear, thanks, Peyush. Maybe if I can just follow up on the smart glasses one, just a quick one. Unlike the rest of your range, here you don't seem to be undercutting majority of the players. Would that be the right idea?

Peyush Bansal: No, that's not what we are - we are so early, we totally believe this is - we are so early in the journey and it is a multi-year journey. So, we are not in a rush here to undercut on pricing, etc. Our goal right now is to just keep learning about the form factor, keep building our software layer, making sure that we build that fast iterative loop where we can make changes and understand.

And then use the opportunity to launch features that people will, people will love us for. And then we can give an experience and access which is unmatched with prescription. We are not right now trying to over-accelerate this at all.

Aditya Soman: Thanks.

Moderator: Thank you, ladies and gentlemen. That's the last question for today. I now hand over the call to Mr. Vaibhav Sachdeva for closing comments. Over to you.

Vaibhav Sachdeva: Thank you everyone for joining the call today. If you have any further questions, please feel free to reach out to our Investor Relations team at investor.relations@lenskart.in, and we look forward to seeing you next quarter. Thank you.

Moderator: Thank you, members of the management. On behalf of Lenskart, that concludes today's conference call. We thank you for your participation.

Note: *Any reference to 'pre-AS EBITDA' or 'pre-IND AS EBITDA' or 'post-rent EBITDA' across the document should be read as EBITDA (pre-IndAS 116). Any reference to 'SSS' or "SSSG' across the document should be read as 'Same Store Sales Growth'. We have also refined the syntax and streamlined speech fillers to enhance readability, while strictly preserving the context and intent of the discussion.*

[i] *Q2 FY27 SSSG has been inadvertently stated as 20% instead of 20.8%*