November 04, 2023

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<u>Sub: Transcript of Earnings Conference Call dated 01.11.2023</u>

Dear Sir/Ma'am,

With reference to captioned subject, we hereby enclose the transcript of earnings conference call held on November 01, 2023 at 14:30 Hrs (IST)

This is for your information and further dissemination.

Thanking You,
Yours Sincerely,

For Cantabil Retail India Limited

POONAM CHAHAL

Digitally signed by POONAM CHAHAL
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Poonam Chahal
Company Secretary & Compliance Officer
FCS No. 9872
Encl: as above

“Cantabil Retail India Limited
Q2 & H1 FY2024 Earnings Conference Call”

November 01, 2023

MANAGEMENT: MR. VIJAY BANSAL – CMD – CANTABIL RETAIL INDIA LIMITED
MR. DEEPAK BANSAL – WHOLE TIME DIRECTOR – CANTABIL RETAIL INDIA LIMITED
MR. BASANT GOYAL - WHOLE TIME DIRECTOR - CANTABIL RETAIL INDIA LIMITED
MR. SHIVENDRA NIGAM - CHIEF FINANCIAL OFFICER - CANTABIL RETAIL INDIA LIMITED
MRS. POONAM CHAHAL – COMPANY SECRETARY - CANTABIL RETAIL INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Cantabil Retail India Limited Q2 and H1 FY2024 Earnings Conference Call. 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. Before we begin, a brief disclaimer. The presentation which Cantabile Retail India Limited has uploaded on the Stock Exchange and their website including the discussions during this call contains or may contain certain forward-looking statements concerning Cantabile Retail India Limited's business prospects and profitability which are subject to several risks and uncertainties and the actual results could materially differ from those in such forward-looking statements.

I now hand the conference over to Mr. Vijay Bansal, CMD from Cantabil Retail India Limited. Thank you and over to you, Sir!

Vijay Bansal: Good afternoon. On behalf of Cantabil Retail India Limited I welcome everyone to Q2 and half year FY2024 earnings conference call. Joining me on this call is Mr. Deepak Bansal, whole time director, Mr. Basant Goyal whole time director, Mr. Shivendra Nigam, CFO, Mrs. Poonam Chahal, Company Secretary and Marathon Capital Advisory Private Limited our investor relation advisor. I hope everyone had an opportunity to look at our results. The presentation and result release have been uploaded on the Stock Exchange and our company's website. Business demonstrated stable performance in Q2, reported sale of INR 135 Crores and EBITDA of INR 29.6 Crores despite subdued demand environment across various markets. During our last call, we have guided that we have anticipated growth in sales with the onset of festive seasons propelling the company growth specifically further in the second half. We are seeing good demand traction with the festive season and believe that the demand trend should continue and improve further during the remaining festive season followed by wedding season and winter. The company continued to expand the retail footprint and accelerated its store expansion strategy by opening 35 stores during the first half of the year and we remain focused on pursuing our long-term strategic agenda with a positive outlook on the growth prospects of both the Indian economy and the fashion apparel sector. I now hand over the call to Mr. Shivendra Nigam for giving update on the performance of the quarter. Thank you.

Shivendra Nigam: Thank you, Sir, and a warm welcome to everyone so coming to the financials standalone performance highlights for Q2 FY2024. Revenue from operations for Q2 FY2024 grew by 16% to ₹135 Crores as compared to ₹116 Crores in Q2 FY2023. EBITDA for Q2 FY2024 stood at Rs.29.6 Crores as compared to ₹31 Crores in Q2 FY2023. EBITDA margin stands for 21.9%. PBT for Q2 FY2024 stood at Rs.9 Crores approximately as compared to 10 Crores, in Q2 FY2023. PBT margin for the company for Q2 FY2024 stands 6.5%. PAT for Q2 FY2024 is 7.5 Crores as compared to 9 Crores in Q2 FY2023. PAT margin Q2 FY2024 stood at 5.5%.

Now coming to the standalone performance highlights for H1 FY2024. Revenue from operations for the company for H1 FY2024 grew to 14% to ₹247 Crores as compared to ₹217 Crores in H1 FY2023. EBITDA for H1 FY2024 stood at Rs.64 Crores as compared to ₹66.7 Crores in H1 FY2023 and our EBITDA margin for H1 FY2024 at 26%. Profit before tax H1 FY2024 is ₹24 Crores as compared to ₹31 Crores Y-o-Y last year. PBT margin stands at 9.7%. PAT for the company for half year FY2024 stood at Rs.20 Crores as compared to ₹23 Crores in H1 FY2023 and PAT margin, we were able to achieve 8%. With this I am opening the floor for question-and-answer session. Thank you.

Moderator: Thank you, Sir. We will now begin the question-and-answer session. The first question is from the line of Kapil Jagasia from Nuvama Wealth Management Ltd. Please go ahead.

Kapil Jagasia: Good afternoon all of you and congratulations on the steady set of numbers. So that first question is on the volumes for this quarter, it is around 15 lakh plus so considering the current capacity that you have for both these peak volumes things or we can even do say 20 lakh volumes going volumes, so say if Q3 is good going forward.

Shivendra Nigam: Right, so I am not being able to clear the question exactly, it is production 15 lakh to 20 lakh you are talking about.

Kapil Jagasia: Volumes?

Shivendra Nigam: You are talking on volume.

Kapil Jagasia: I am just saying considering our current capacity of 50 lakh pieces our volume for this quarter is 15 lakh so is that peak volume 15 lakh or you can even do a 20 lakhs kind of volume if Q3 is good?

Shivendra Nigam: We have been able to deliver 15.68 lakhs of volume for this quarter, right as compared to 13.44 lakhs Y-o-Y last year quarter so going forward as we explained earlier as well, the overall volume what we have been expecting this year is approximately 60 lakhs based on our internal targets and whatever the expansion completely so yes, the second-half is obviously been delivering more in terms of value so the balance of the quarter, whatever 62 lakhs would be there will be coming from the second-half itself. 26 lakh as of now we have been able to achieve for the first half.

Kapil Jagasia: Okay and just pertaining to this quarter, would there be a case that there is more of outsourcing like how we divide one third in house, one third dedicated vendors and one third through outsourcing. So, this outsourcing would have been more this quarter, or it is equally split one third between all the parties?

Shivendra Nigam: Correct so what is happening winter is mainly as we explained earlier whatever the mix that has been there that is we have been sourcing from FOB basis that is on the trading so when it comes to the winter season, so obviously when it comes to sweater, jacket that is on FOB side, internally suit, coat and blazer we are producing internally which is from the existing capacity. So, 16 lakhs is the overall capacity out of which for the year as a whole like trouser and shirt, we are producing inside as well as fabrication as well. So, 2/3 we are being controlling through our factory as well as outsourcing into the fabricator and the balance is coming from the sweater, so it is a complete mix so going forward suit, coat and blazer is coming from the internal fabrication as well as factory and when it comes to the knitting material like sweaters like jacket, that is from the outsourcing.

Kapil Jagasia: Okay got it and what would have been the split between full price and discounts as percentage of sales for this quarter? Just wanted to understand what would be the discounting that we would have applied for this quarter?

Deepak Bansal: Are you talking about Q2 or Q3?

Kapil Jagasia: Q2?

Deepak Bansal: Q2 is majorly starts with the end of the season sale so most of the sales of the discount nature in this quarter because from the first June only, we start with the sales which is 50% then we move to the open the sales then we move to the buy two get 5 and in September we are running a mix offer of buy 2 get 5 and the merchandise also comes in this where we give the offer by two get 1 free so you can expect like 75% to 80% sales is of the garment which are sold on sale of 50% or more and rest is from the buy two get one free like on the discount comes to around 35%?

Kapil Jagasia: Okay and so usually how is Q2 for Cantabil like it is similar way which has happened in this quarter or in this particular Q2 FY2024 there has been more of discount considering demand environment?

Deepak Bansal: Yes, there was pressure on demand since in the beginning of financial year, so we have to give more discount in Q2 compared to last year Q2 to prevent the stockpile up that is why the discount is given more to the customer and for the same reason there is slightly decrease in the gross margins.

Kapil Jagasia: Okay both same store sales growth has been negative for us this quarter also?

Deepak Bansal: It is very marginally negative. In Q1, the same store sales growth was negative by -7% and in this quarter it is negative by just 1%.

Kapil Jagasia: Okay thank you.

Moderator: Thank you. The next question is from the line of Malap, an individual investor. Please go ahead Sir.

Malap: Congratulations on the rise in revenue despite challenging environment, but I understand you just mentioned about the higher discounts you provided, but how do we see the margin settling up for the entire financial year and even for the forthcoming financial year? If you can give some guidance around the margins that would help?

Shivendra Nigam: So, if you have noticed our earlier comments as well, overall target for the company is same last year like we earned approximately 56% of the margin so we knew since our e-commerce sales will grow which has grown in a very well manner. Last quarter say last year same first half we did 3 Crores as again this year we did 13 Crores so obviously margin would be subdued. So, 1% effect is being there but overall annual margin what the target we have is 55% that is the internal target and we are absolutely on track of that maybe plus minus 1% or half percent is a different scenario, but overall targets are same.

Malap: EBITDA levels as well?

Shivendra Nigam: EBITDA level targets is same, but definitely EBITDA level because of the challenges in the market for the first half you can say so some that we are expecting little bit 1 or 2% downside but overall, on a larger perspective it would be same, 1 or 2% you can say EBITDA and PAT margin may be.

Malap: Okay Sir. Thank you, all the best.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures (India) Pvt. Ltd. Please go ahead.

Ankit Babel: Good afternoon, Sir you did mention that due to higher discounting, your gross margins were lower this quarter, right?

Shivendra Nigam: There is a 1% cut of discount as well.

Ankit Babel: But your gross margins are down by somewhere around 400 basis point 4%?

Shivendra Nigam: So, as I told earlier as well if you are directly taken it from P&L so there is some elements been there in other heads. So, there is the exact down is approximately 2.25% in gross margin last year we will be able to achieve 60.7% this year for the first half I am talking about. We have been able to achieve approximately 58.4%, so that is 2 to 2.25%, so obviously 1.25% because of the increase in ecommerce sales and 1% is because of additional discounts.

Ankit Babel: I was asking mainly from Q2 perspective where it is down by 4%. So out of this 4%, how much would be from higher discounting?

Deepak Bansal: So, I have just mentioned about the half year number as far as Q2 is number so because in Q2 festive season being started so ecommerce sales would be high. So that is also approximately 50-50% for both is the same thing.

Ankit Babel: How has been the October month, I mean since there has been a shift in the season this time, so whatever was the pressure in the month of August, September, has October off set a major part of it or how is the traction in the October month and what are your expectations for Q3?

Deepak Bansal: Like it is quite different from the last October because the last October there was a Diwali season. In this year we have a Diwali in the November. So, it will not be apple to apple comparison, but yes, Durga Pooja sales was good. So, we are expecting that the same trend will follow for the Diwali season as well so only thing that can be compared this October is the Dursa Pooja sales and Eastern region sales of India, so they are the traction.

Ankit Babel: Sir as pre Ind-AS numbers which you have reported in the presentation, your last year EBITDA margins was around 19% and in the first half it has come down to 12.7% so for the full year, what kind of pre Ind-AS EBITDA margins you are expecting?

Shivendra Nigam: As I just mentioned we were expecting approximately EBITDA margin there would be a since the same store growth first four months till July was a challenge. So approximately we have been expecting the same number 1 or 2% down from as compared to the last year. So last year was approximately 19%, pre Ind-AS number, it is too early to ask 17-18% we have been expecting in terms of EBITDA margin, pre Ind-AS number.

Ankit Babel: Okay but your long-term goal still would be…

Shivendra Nigam: There is no change in our long-term vision, long term goals strategy is being same slightly, market is so quarter-on-quarter basis somewhere up and down should be there in the quarter. But overall, on a larger structure from the company side for a longer vision the targets the same.

Ankit Babel: And have you scaled down your expansion plans or you stick to your full year store expansion plans?

Shivendra Nigam: There is no cuts. These are the little bit of quarterly turbulence so there is no cut, there is no revision in plans. Whatever committed same expansion is going to be done and when the third quarter results would become, you will see that store additional numbers, good numbers.

Ankit Babel: Okay that is it, Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Shrinjana from RatnaTraya Capital. Please go ahead.

Shrinjana: Thank you for the opportunity so my questions are also on the gross margin side, you mention that because of higher discounting partly gross margins are on the lower side but if we see in terms of realization per piece that has not gone down right on a year-on-year basis, so unless there is a change so what would explain that?

Shivendra Nigam: So additional discount does not mean we have changed our scheme or given additional discounts. The schemes are same, but due to consumer and subdue demand in the market and other things, we just extended a little bit of the period of the schemes that is the case. So, it is about the realization per piece and as well KPI's are not being distracted, it is not a very big one. So, on half year basis 1% my margin may be down but longer period of discount, extension of one week or two week so overall numbers in terms of discount and schemes are same.

Shrinjana: So, in terms of discount period like usually what would be the discount period, which month would it fall into and this quarter, what happened?

Deepak Bansal: Yes, there are like three types of discounts, premium series at 60% off then buy two, get five series and the flat offer for the suit and blazer category so that offer is buy 2 get 5, increased and the flat sale for suit, coat and blazer has been increased so basically the period with 50% discount has shrunk a little bit due to limited discount percentage increase.

Shrinjana: Okay by how much percentage the discounts have increased like, it is based on period average bill value then it would reflect like would that be affected so this quarter, I think you mentioned in the presentation 4187, so what was it last year?

Deepak Bansal: Last year the ticket size was 3980 and this quarter is 4187.

Shrinjana: Okay I probably will take this offline; I am not very clear yet. Just another question was on the e-commerce side so this quarter how much was the contribution like in terms of sales for half year it is 13 crores, so how much is this quarter ecommerce sale?

Basant Goyal: Basically, the quarter-on-quarter sale was almost the same. In first quarter we did 6.8 Crores and in the second quarter we have done 7 Crores.

Shrinjana: Okay and last year, what was it last year?

Basant Goyal: We have done a total sale of around 3 Crores.

Shrinjana: And this same quarter would be around like half of that, so 1.51…

Basant Goyal: It is 1.5 Crores in the same quarter last year.

Shrinjana: And in terms of gross margins, how much is like e-commerce sales, so our average gross margin is around 55% so for e-commerce roughly in gross margin terms, how much is it lower?

Deepak Bansal: It is 48% in ecommerce, it is around 8% down, lesser than the offline market.

Shrinjana: Okay got it. Thank you.

Moderator: Thank you. The next question is from the line of Somnath Paul from Relay Investments. Please go ahead.

Somnath Paul: I just had a couple of questions so one is that I was seeing the presentation and I think from FY2020 we have from around 3.2 lakh square foot we are going to 5.3 and you are quite strong in the commentary saying that we are in for expansion so what gives you that confidence that without stabilizing the existing stores you would still want to go for strong expansion that is the first question and second which are the brands which you consider as your players or competition?

Deepak Bansal: Same store sales stabilization we think we have achieved because in the last two months, there was increase in the same store sale growth and in September also the same store sales growth was maintained break even neither up nor down. So, in the Q2, the same store sales growth is down by just 1% so we have seen there is stabilization in the same stores. So that is why we are up with our expansion plans and the new store which we opened in the last three months have performed according to our target so in the new stores we are not facing the sale challenge so that is why we are going with the expansion plan. Second question was about the competition. So, competition direct competitor is majorly the Peter England which directly operates in our category and the other players are like not directly competitors but sometime in the end of season sale their price come closer towards like the end of season sale, the prices come closer to us, so this is majorly the competition.

Somnath Paul: The reason why I was asking about the competition, few of our competitors I do not know if they are actually competitors suppose companies like V-mart, so they have you know faced a lot of pressure because of you know I mean very rapid expansion and unable to control. So, I was just trying to you know get your thoughts on do you think we are very much stabilized and moving ahead?

Deepak Bansal: No, I just explained how this works so V-Mart comes in the economy category, value brand you can say then comes the R category which is mainly Peter England Canterbury which comes from the mid premium segment then complete premium segment of the LP and VS then we move further up which is the luxury brands like the Giant and Lacoste. Every category definitely different from the V-mart and V2, but we do so, so majorly in the mid premium segment dominant players used to be the regional ones. On the Peter England is the only peer which is the national ones. So, in our category the competition is not coming from the V2-V Mart or others it is only LP directly.

Somnath Paul: Okay Sir. I will join the queue for further questions. Thank you.

Moderator: Thank you. The next question is from the line of Yash Bajaj from Lucky Investment Managers Private Limited. Please go ahead.

Yash Bajaj: Congratulations on the good set of numbers in such a tough environment just one question, we had a significant improvement in inventory this quarter. Is it because of the product mix change because of the festive season or is this the structural change?

Shivendra Nigam: As we explained last also last half year if you see so obviously on the basis of last year April, May was very high. We have been predicted little bit higher side. So that is why last year half was slightly higher in terms of inventory and in fact I will not shy in saying that our inventory was slightly higher side, so we controlled completely we understood the grievance of the inventory, we understood the criticality of the inventory and immediately our CMD has taken the action on this, and we have controlled it. You must have gone through our presentation against last year 75 Crores we added in six months, this year we just had what has been required and all the inventory for the old setup, whatever being that is being corrected so now we are on our ideal situation now.

Yash Bajaj: So just to understand that inventory was higher relatively, was it because of the pent-up demand because of that we were carrying higher inventory?

Deepak Bansal: Last year there was a very good sales in the April and May quarter so we produce more seeing that the sales so that is why inventory was higher last year and when we see there was a low demand coming so we optimized the inventory. We started optimizing the inventory in the last year only. So those effects are really visible now, and if you check even our work in progress, would it then a very controlled situation so optimization of quantity has been done in a really nice manner.

Yash Bajaj: Okay, got it. My second question is that how are our new recent initiatives which we have taken in terms of shoes and the women's wear, how is that panning out for us??

Deepak Bansal: We are opening ladies and kids exclusive stores. We are opening like one store a month, so we have the recent openings of the ladies and kids store are really going good and so we have to kept expansion plan the same category and in the athleisure category we have also planned five stores and they are coming with the budget of like for investment of 5 Crores. So, it is soon to open the first footwear that is going to soon open in the coming week and we are really hopeful.

Yash Bajaj: That would be purely athleisure store?

Deepak Bansal: So, it will be a mix of both.

Yash Bajaj: And shoe Sir?

Shivendra Nigam: Footwear is a part of that.

Yash Bajaj: Okay thank you.

Moderator: Thank you. The next question is from the line of Kapil Jagasia from Nuvama Wealth Management Ltd. Please go ahead, Sir.

Kapil Jagasia: Thank you for the follow up. Our average revenue per store has been inching up over the years and now with this focus on footwear and additional focus on women and kids wear, can this number go higher than 1.4, 1.5 in the coming years, like just wanted to know how higher this number can go in medium term?

Shivendra Nigam: So, your question is basically whatever the average sales per store, whether it will go up with the addition of women's and kids were right, if I am not mistaken?

Kapil Jagasia: Right and also with footwear?

Shivendra Nigam: So overall what we are being targeting now overall average, so not only that, the ladies and kids we have a potential of immediately giving 1.5 Crore or 1.6 Crores or 1 Crores. So overall average what we have been discussed earlier as well. Overall average will go up which will have obviously volume mix as well as a revenue mix, but specifically by the reason of ladies and kids has been go on an exceptional basis that could not happen. Overall men's category, women's category and kid’s category all whether it is a family will go sequentially. So overall 1.4 next year targeting to 1.45 then gradually will go on.

Kapil Jagasia: Okay sure and for this quarter, our expansion in new cities has been around 246 so any color on which cities would we have expanded in this particular quarter and what would be the target on the expansion to the overall number of cities over the medium term?

Deepak Bansal: We major expansion happened in tier-2 and tier-3 terms only and we will going forward with this frame strategy and if you geographically we have done major expansion in the Western and Northern part only so it is the same plan that we will be going pan India expansion expect south so number of new cities which will be added again like we have, we have around 500 stores and we are present in 250 towns. So, it is around 2 stores per town and the same average will be going forward.

Kapil Jagasia: Sure, and one final question on the number of stores target 35 stores opened in H1 and I get 16 more added in this October month, so post that any revision on the guidance of 70 stores addition for this year because 51 has already been opened?

Deepak Bansal: No, it you can go up to 80 stores. So beyond 80, we have not revised the targets because sometimes good properties come in large numbers, but there are bad months also where the openings get down to like three or four openings per month. So, it will be getting optimized.

Kapil Jagasia: At the same target in FY2025?

Deepak Bansal: Yes same.

Kapil Jagasia: Okay great thank you.

Moderator: Thank you. The next question is from the line of Arpan Rathod from Think Investments. Please go ahead.

Arpan Rathod: Good afternoon, Sir have a couple of questions. First is on the PAT for full year we have done around 20 Crores in first half, last year we did around 67 Crores so just wanted to understand whether we will be able to reach that number or we will be bettering that number for the full year?

Shivendra Nigam: So, this sales is obviously directly linked to revenue since our same store was slightly on the flatter side till date so but overall number for PAT for this financial year compared to last year would be definitely slightly up. Percentage wise we are expecting approximately around 11% that is the case.

Arpan Rathod: Okay and what would be the next three-year target?

Shivendra Nigam: Same targets are being there. We have been expecting to say revenue grows approximately 18 to 20% for the coming financial year. The immediate target is approximately in next 2 to 2.5 financial year we have to reach 1000 Crores with a pre Ind-AS EBITDA margin approximately 18-19% and PAT margin approximately 20% so we are absolutely on our earlier targets as well.

Arpan Rathod: Okay one question on the raw material expenses if I look at Y-o-Y last year, raw material as a percentage of the sales are only 23% that has gone up to 34% in the current quarter despite the general market trend of flattening of the raw materials prices. Just wanted to understand why the 11% jump in raw material expenses?

Shivendra Nigam: So we need to understand the overall there are combination of raw materials as at FOB what discussed in purchasing so we are arriving our gross margin after considering raw material WIP and what is being buying on a FOB basis that is a trading materials right or accessories so overall things including this one costing approximately 45% so once obviously earlier inventory was actually there, we bought lesser amount of raw material in WIP which we already said we are resolutely in control so overall target in terms of if you are taking from the balance sheet numbers, raw materials, WIP finished goods purchases as well as job worker that is approximately on a 45%, so that we will be able to end the margin of 55%. So, it has been around that.

Arpan Rathod: Yes, actually you know the financials which gets reported, you are unable to draw those numbers directly might as well if you can consider with the auditor, what is permissible if that number can reflect, I think that question could be better understood by people analysts?

Shivendra Nigam: So, we can discuss it offline the exact broad numbers I just told you and offline we can take the questions and give more clarity for you.

Arpan Rathod: Sure, and one last question on the online offline mix, what is the offline target for the current year and next year?

Shivendra Nigam: So overall target when we are talking about this year, we are taking to our sales last year we will be able to deliver approximately 3% of total revenue, 2.5% in terms of e-commerce this year we are taking it approximately 6 to 8% and when I am talking about 1000 Crores next or next financial year, we are taking it to 10% approximately for the overall revenue.

Arpan Rathod: Okay that is it from my side and all the best for the next half.

Moderator: Thank you. The next question is from the line of Somnath Paul from Relay Investments. Please go ahead Sir.

Somnath Paul: I think I just want to understand in the previous call you mentioned generally for our company H2 is generally on the higher side because we have more of winter contribution and festive season also and we also mentioned that sales are a bit pushed so can you give some flavor now that the wedding season is about to start and then there is Diwali and other so how are seeing current quarter compared to same as that last year and secondly also wanted to understand other than stores expansion and I think our manufacturing facilities and do we have any more capex or other major opex plans?

Shivendra Nigam: So, there are two questions number one, what is done in the first half and the second half so as we told this, our ticket size is definitely higher on the winter size. So, it is approximately 46, last year 40% we did in H1 and 60% approximately we do in the second half so we can approximate 250 Crores approximately we did which is approximately overall 40% of annual target so compared to last year so balance approximately we are expecting 60% of our overall target which come from the second half. Now coming to your question on the capex part, yes there was an expansion earlier we told because when we are talking about you know 1000 Crores revenue and then to make it to double so the number of garments that we have been selling it now it will be multiple to the four times. So, we need additional space everything so already for last two years we have made a capex investment in our new warehousing cum office building that is near to our existing office which has been under construction. So, there is a capex cost being there and 50% of those is capex costs in the coming financial year and next financial year. So, the only larger apart from expansion of the store, there is a plan to have this warehousing cum office facilities.

Somnath Paul: So, can you give some idea on the cost that we intend to spend on this warehousing facility? I mean the color would be fine and second is that I also wanted to understand like H2 is generally heavier so how are you seeing the Q3 of this season compared to that of last year because like you said first half or first H1 was a bit of slow because last year of higher sale I was trying to say that sense on how you do see Q3of this year versus last year?

Shivendra Nigam: So two questions, first question I will take it and second question Deepak will take it up, about the seasonality sales coming up so that capex 32 Crores seen at last year balance sheet we have been capitalized in terms of land and construction going on so 40 Crores is the approximately land and clearance cost that has been done and current year going for the next financial year, 45 Crores approximately is the cost which is being there in complete building this warehousing and office facility.

Deepak Bansal: Second question is about the growth in Q3 we are expecting from the last year. So in Q2 we have made around 10%-15% to 18% growth and in the Q3 we expect growth to be around 20% to 25% we expect from the last year because we have opened very good number of stores in the past two months so we are really upgrade for the Diwali because these are the new stores and the Diwali season is just around the corner so in the new stores and due to the old stores also picking up now so we expect good numbers in the Q3.

Somnath Paul: So, one final question, I think we have the best industry metrics compared to our peers and likewise because of your integrated manufacturing as well as branding parts. So, are we kind of hopeful that once we hit our peak targets of sales maybe next two to three years, our metrics will more or less be the same or at least they can be retained? And how hopeful are you or can you throw some light please?

Shivendra Nigam: Production the moment our volume would grow, 2/3 we have been controlling through our fabrication, our own factory and 1/3 approximately on the basis of procuring on FOB and creating value so that that will continue. Obviously since we have no immediate plan to extend our factory to my existing 15 lakh capacity will go to 20 lakh pieces and the balance comes from the fabrication to 60% controlling through fabrication and our own production and 40% whatever the number is going further will be controlled by taking from the FOB so that is the same thing for 40-60 would be maintained.

Somnath Paul: So, I think your team would best be handled to decide which is the right percentage of manufacturing versus trading, so my understanding was more on the overall metrics right on the ROE and the return on capital employed. So, you think when we hit the peak sales, we should have same or similar kind of metrics what we are running as of now?

Deepak Bansal: Yes, I think the same metrics will be good because this is the best combination, we have achieved one third, one third, one third. So, in the future also we would like to maintain the same metrics, it will be a support overall also the one thing, one thing is disturbed then it does not disturb the other two so a company should not depend upon the one thing majorly, it should be equally distributed. So, I think this is the best strategy.

Somnath Paul: Sir one final question before I come back. So, you mentioned on the e-commerce we have a little bit at least 3% to 4% of less gross margin. So, any particular reason why we focusing still on that is it more on sales target or do you want to build the online good presence as well in addition to physical stores?

Deepak Bansal: The online sales is majorly for selling the left-over inventory due to the same reason gross margin is less in the online trades but same way everyone more most of the brands are clearing their leftover inventory on online and it is a very good platform to clear the left-over inventory.

Somnath Paul: So, one suggestion, this is bit of social background I found there are a lot of complaints so probably, it is just suggestion that if could ask our team also to look at the returns, you mentioned it is basically the left-over inventory which are not sold. That is all from my side.

Deepak Bansal: Yes.

Moderator: Thank you. The next question is from the line of Yash Bajaj from Lucky Investment Managers Private Limited. Please go ahead.

Yash Bajaj: Thanks for the follow up. Sir, you had mentioned that currently in the segment which we complete there is only Peter England in branded players and rest are local players. So, I wanted to understand as of today the landscape compared to landscape is like you mentioned suppose 7-8 years back was there more competition in this segment where we are currently that is first question?

Deepak Bansal: 8 years means you are talking about 2015?

Yash Bajaj: This broadly, I mean is there any change in competitive landscape in this price point which we are in?

Deepak Bansal: We are seeing the changes in this landscape in 2015 competition was less, yes, but if you go further back like in 2009-2010 then competition was more because there were more brands in these mid premium segments, by 2015 more of these brands have gone but in the last one two years there have been some increase in the competition from the local players.

Yash Bajaj: Okay and when you talk about local players what would be the general size of this supposed top 3 or 4 players?

Deepak Bansal: These are normally so small in size, around 100 Crores turnover there.

Yash Bajaj: Okay so are they expanding, or they are…

Deepak Bansal: I do not see them as a big challenge because they are mostly operating through the franchise and in the case of the franchise, their first store average is very less than mostly stores are doing 50 lakhs per store average and we are doing around 1.40 lakhs so until and unless they change themselves in a very big way, we do not see themselves as a bigger challenge in future.

Yash Bajaj: Okay and just follow up on this so the local player like you mentioned these guys have their own manufacturing and they franchise it or how is it like or they built a brand?

Deepak Bansal: Most of their sourcing is outsourcing. They do not have their manufacturing and most of these are the franchise stores.

Yash Bajaj: Okay thanks a lot.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Deepak Bansal for closing comments.

Deepak Bansal: I would like to once again thank you all for joining us on this call today. We hope we have been able to answer your queries. Please feel free to reach out to our CFO or IR team for any clarifications or feedback. Thank you.

Moderator: Thank you, Sir. On behalf of Cantabil Retail India Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.