February 10, 2024

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Fax No.: 022-26598237/38

Sub: Transcript of Earnings Conference Call dated 07.02.2024

Dear Sir/Ma'am,

With reference to captioned subject, we hereby enclose the transcript of earnings conference call held on February 7, 2024 at 17:30 Hrs (IST)

This is for your information and further dissemination.

For Cantabil Retail India Limited

POONAM CHAHAL

Digitally signed by POONAM CHAHAL
DN: c=IN, o=Personal, pseudonym=caY4zaqRSUYJ2Hkgd0tiYP7PL9iupaNV, 2.5.4.20=0c18a3d106adf0e7576f0e12855599059258b8957b4cf1040fc552e447e81b0c, postalCode=110085, st=Delhi, serialNumber=10c4ba7bddcb340578d76cf631cd10f18e27c139adf78cf5ae0dcb8febd5e35d, cn=POONAM CHAHAL
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Poonam Chahal
Company Secretary & Compliance Officer
FCS No. 9872
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“Cantabil Retail India Limited

Q3and 9M FY ’24Results Conference Call”

February07, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Company’s website will prevail

MANAGEMENT: **MR. VIJAY BANSAL – CHAIRMAN AND MANAGING DIRECTOR – CANTABIL RETAIL INDIA LIMITED**
MR. DEEPAK BANSAL – WHOLE-TIME DIRECTOR– CANTABIL RETAIL INDIA LIMITED
MR. SHIVENDRA NIGAM – CHIEF FINANCIAL OFFICER–CANTABIL RETAIL INDIA LIMITED
MRS. POONAM CHAHAL –COMPANY SECRETARY
MARATHON CAPITAL – INVESTOR RELATION ADVISOR – CANTABIL RETAIL INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Cantabil Retail India Limited Q3 and 9 months FY '24 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 star then zero on your touch-tone phones.

Please note that this conference is being recorded. Before we begin, a brief disclaimer, the presentation which Cantabil Retail India Limited has uploaded on the stock exchange and their websites, including the discussions during this call contains or may contain certain forward-looking statements concerning Cantabil Retail India Limited business prospects and profitability which are subject to several risks and uncertainties and as the actual result could material 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 evening, everyone. On behalf of Cantabil Retail India Limited, I welcome everyone to the Q3 and 9-month FY '24 Earning Conference Call of the company. Joining me on this call is Mr. Deepak Bansal, Whole-Time director, Mr. Shivendra Nigam, CFO, Mrs. Poonam Chahal, CS, and Marathon Capital, 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 website. We are pleased to announce an interim dividend at the rate of 20% per equity share.

Our company has delivered good financial results with a revenue growth of 11% in 9-month FY '24 despite muted consumer demand. However, we have observed that despite the overall muted market conditions, our customers have upped their spends, leading to an increase in average bill value. On the expansion front, the company accelerated its store expansionstrategy by opening 66 stores during the first nine months of the year.

We remain focused on pursuing our long-term strategic agenda by further expanding our reach into newer markets and ensuring an elevated shopping experience to our customers. I now hand over the call to Mr. Shivendra Nigam for giving an update on the financial performance over the quarter. Thank you.

Shivendra Nigam: Thank you, sir, and a very warm welcome to everyone. Coming to the financials, stand-alone performance highlights for Q3 FY '24. Revenue from operations for Q3 FY '24 grew by 7% to INR174 crores as compared to INR163 crores in Q3 FY '23. EBITDA for Q3 FY '24 stood at INR53.9 crores as compared to INR55.9 crores in Q3 FY '23. EBITDA margin earned in Q3 FY '24 is 30.9% as compared to 34% in Q3 FY '23. Profit before tax for Q3 FY '24 stood at INR30.9 crores as compared to INR36 crores in Q3 FY '23.

EBITDA margin for Q3 FY '24 stood at INR17.7% as compared to INR22.2% in Q3 FY '23. PAT margin for Q3 FY '24 stood at INR24.1 crores as compared to INR27 crores in Q3 FY '23. And PAT margin for Q3 FY '24 stood at 13.8% as compared to 15.5% in Q3 FY '23. Now coming to the stand-alone performance highlights for 9-month FY '24. Revenue from operations for 9-month FY '24 grew by 11% i.e. INR421 crores as compared to INR380 crores in 9-month FY '23. EBITDA for 9-month FY '24 stood at INR118 crores as compared to INR123 crores in 9-month FY '23. EBITDA margin for 9-month FY '24 stood at 28% as compared to 32% in 9-month FY '23.

Profit before tax for 9-month FY '24 stood at INR55 crores as compared to INR67.3 crores in 9-month FY '23.PBT margin for 9-month FY '24 stood at INR13.1% as compared to Rs.17.7% in 9-month FY '23. PAT margin for 9-month FY '24 stood at INR43.9 crores as compared to INR50.4 crores in 9-month FY '23. PAT margin for 9-month FY '24 stood at INR10.4% as compared to INR13.3% in 9-month FY '23. The company added 66 stores in 9-month FY '24.

With this, the company operates 533 EBOs out of which 379 are the company-owned stores and 134 are the franchisee-based. The retail area is approximately 6.38 lakhs square feet as on December 31, 2023. Now we will begin the question-and-answer session.Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: Hi, good evening and thanks for the opportunity. My first question is, could you talk about what was the SSG in the quarter?

Shivendra Nigam: So, SSG for us in the quarter is actually on the lower side. It is minus 4% in terms of value. It is minus 4% and at the same time, the quantity is minus 0.9%. So, because of the slight correction by this, it is minus 4% SSG front for the quarter.

Jatin Chawla: Got it. So, I observed this in the numbers as well that your ASPs are down Y-o-Y. Is it because of higher discounting or have you taken down MRP prices itself?

Shivendra Nigam: Yes. So, basically the main 4% down is on the basis of we have not passed completely. That is not about the discount.It is the lower price. 4% is actually the lower selling price.

Jatin Chawla: Okay.So, the MRP itself has been reduced?

Shivendra Nigam: The MRP has been reduced because there was a correction in the raw material prices. So, due to the correction in the raw material prices, we have reduced the MRP. So, it means the correction in the raw material prices was passed on to the customers.

Jatin Chawla: Got it.I noticed that. Despite this price correction, your gross margins actually are very strong.

Shivendra Nigam: Yes.

Jatin Chawla: The other thing I was thinking was that in this quarter, for you, there are a lot of winter products that get sold which have higher ASPs. Now, product mix hence also maybe would have been negative. So, what is the impact of that?

Shivendra Nigam: The winter items haven't gone down much but the regular items like the shirt and trousers, there is impact on that side. So, if we see the quarter, October, November, December, there was a shift in the Diwali festival. Last year Diwali was in October.This year Diwali came in

November. So, in October, the sales are down much because Diwali was in November. And in November, there was recovery was not that much which was expected due to the Diwali.So, that's why there is a 4% negative same store sale growth. In December, we have got the flat. There was no dip in the sales.So, that's how the 3 months came to be minus 4% in SSG.

Jatin Chawla: Got it. And in your press release, you mentioned that now that the winter is good in 4Q, you are seeing some recovery in revenues. So, should we expect a positive SSG in 4Q or given the still weak demand environment, SSG will remain muted in 4Q as well?

Shivendra Nigam: There is still pressure on the demand side in the quarter 4 also. So, we hope that it should get flat but there is a muted demand in the market only in quarter 4 as well.

Jatin Chawla: Understood. And last question from my side. You have added almost 60 plus stores in 9 months itself.So, what's the target for store opening now for FY'24 and FY'25? Ifyou could just talk about that?

Shivendra Nigam: We have the same target. We plan to open 80 to 90 new stores in the next financial year. Though there has been a muted demand, but this hasn't impacted the sales expectation from the new stores.The sales expectation and the results we are getting from the new stores are as per the expectations. So, we have kept our expansion plans intact for the next year.

Jatin Chawla: Understood. Thanks a lot. I'll just come back in the queue.

Shivendra Nigam: Thank you, Jatin.

Moderator: Thank you. Our next question is from the line of Ankit from Subhkam Ventures. Please go ahead.

Ankit: Good evening, sir. A couple of questions from my side. Sir, what was the share of winter products in this quarter?

Vijay Bansal: Share of the winter products?

Ankit: Yes.

Shivendra Nigam: So, basically the overall volume what we have been sold this quarter is mainly on the November and December.That is on the winter side. So, approximately if I just core winter products, so that is the same thing which is coming in this quarter particularly, approximately 60% in terms of value, which is coming from the winter category, in fact.

Ankit: Okay.And what was it last quarter, same year? I mean Q3 of last year?

Shivendra Nigam: It is approximately percentage is the same one.50-40 is happening in the quarter itself, in the quarter itself for the winter material apart from like shirts and other categories. Exact number I can give you separately.

Ankit: What I was trying to understand was that the slowdown is across. I mean it is not only on the winter product, right?

Vijay Bansal: That's correct.

Shivendra Nigam: No, slowdown is majorly in the shirt and trousers category. Wintercategory what we have seen is stable because in December the trend may be a little bit because there was a late onset of winter.But in January we have seen the winter category performing well because there was low late onset of winter. So, it was recovered by the January month.

Ankit: But in January you would have to discount your products at a higher rate to clear the inventory, right?

Shivendra Nigam: But it is the same what we gave last year. So, there is no increase in the discount compared to the last year in January.

Ankit: But in spite of a good January, you still feel that your SSG could be negative in this quarter?

Shivendra Nigam: Yes, it is due to the regular items like shirt, trousers.

Ankit: No, no, I am asking, sir that in spite of a good January month you still sale that your fourth quarter SSG might be negative?

Shivendra Nigam: Yes, it is a muted one.That quarter 4 itself, the January numbers were also slightly on the muted side. So, it would be either flat or slightly on the oversize for the quarter 4.

Ankit: So, then second question is now considering the fact that there has been slowdown since 9 months.So, your overall results have been subdued since last 9 months and you are still expanding your capacities, right? You are increasing your store count. Now, is there a point wherein you will foresee that demand coming up and then you will expand your stores?Or in spite of the muted demand you will continue with your expansion plans?

Shivendra Nigam: We have kept our expansion plans intact because our new stores are doing pretty well. The expectation from the new store is coming what we are expecting.The market in the new towns are positive for us. So, we have kept our plans intact and the new stores which we are opening are not going into losses. There is not a break-even problem in the new stores.New stores also are getting into the profits and giving us the good sales.

Ankit: Okay, and lastly sir, now assuming that the market demand remains at, the market conditions remains like this for a couple of more quarters because we are entering an election year and there could be some slowdown. So, considering that thing in mind, is the company putting some efforts to improve its performance in terms of growth rate or you will purely depend on the market conditions to improve and then only you will show a good growth rate?I mean, what are the extra efforts which the management is trying to put in assuming that the market conditions remains the way it is for the next two quarters at least?

Shivendra Nigam: The next quarter -- the next financial year will be in election time. So in election time, it is assumed that a lot of money comes into the market, and we expect demand to grow in the next quarter from the April onwards. And we have introduced some like staff incentives programs and we have like working on the procurement and designing side also to improve the sales. So, these two measures we have introduced to get the same-store sale growth in a positive note in the next financial year.

Ankit: Okay, so lastly should we now assume a relatively lower margin on a structural basis for you or you feel that you will regain your erstwhile margins of 30% plus at EBITDA or 13% at the bottom line? So, what would be the sustainable margins that we should work with for next year?

Shivendra Nigam: So, the same thing. As also mentioned earlier, on a longer term basis, all the plans from the management side is on a longer term plan. So, these are the more activities in the market for the current scenario. So, there is no change in the plan. In fact, in the EBITDA this year obviously the EBITDA margin as we mentioned 30% we are very sure from next financial year onwards quarter-on-quarter basis, this will be on the same number this year, slightly on a lower side, but overall on a longer basis, quarter-on-quarter basis we are targeting the same number and almost we are very hopeful to achieve those numbers.

Ankit: Okay. And sorry, one last small question. You recently raised money via equity. So, you were already debt free and what our calculation suggests was that the internal approvals were enough for you to grow at what 20%-25% growth rate. So, what was the rationale of this money raising? And are you going to accelerate your expansion plans or what is the thought process?

Shivendra Nigam: So, in this case, the FII which has been coming, so obviously they want to be the part of, in fact that's correct. We are the debt free company and everything expansion was the plan from the internal approval only. But they wish to come as a part of -- they want to put money in the company and want to be the part of the growth plan. So, as I said, obviously that would be helpful in improving our margins as well.

When the cash would be there available in the books, then we can have a better negotiation and we can improve on working on our gross margins. So that's the basic idea. There is no other change in the plan. As far as that money which is coming in the concern as well that will help in improving our margins and better negotiations as well.

Ankit: So, margins will improve but your working capital will increase because of lower creditor days. Is it the right way to assume?

Management: We can assume that.

Shivendra Nigam: We can assume that. It would be giving the better -- probably everything would be putting in the working capital so the gross margin would be improved.

Ankit: Got it. Thank you so much, sir. All the best.

Moderator: Thank you. Our next question is from the line of Rajesh Sharma from Anand Rati. Please go ahead.

Rajesh Sharma: Good evening, sir.

Moderator: Sir, the line from Rajesh Sharma has been disconnected. Our next question is from the line of Palash from Nuvama Wealth. Please go ahead.

Palash: Yes, thank you for the opportunity, sir. Sir, my first question is when do you think that you would be back to the positive SSG territory?

Shivendra Nigam: Yes, in the next financial year we are planning that we will be back in the positive SSG. Due to the reason that our main SSG is negative due to the fall in the ASP. So we are planning to like increase our margins and there will be an increase in the ASP. So, with the increase in the ASP we hope that our SSG will be back to the normal.

Palash: Okay. And sir, you mentioned that your new stores are breaking even at normal. So, is it normal or there is some delay, like your mature stores are showing negative SSG. But newer stores are showing some delay, or they are at the normalized historical level in terms of breakeven periods?

Shivendra Nigam: In terms of breakeven period, like what was earlier it is still there, and our new stores are doing well. Breakeven period is coming to be one and a half year. So, it is the same thing we are expecting, and the same performance stores are giving.

Palash: Okay. And sir, margin guidance for this year? What will the level be?

Shivendra Nigam: So, obviously this year margins in terms of gross margin we are maintaining. So, EBITDA and PAT would be slightly on the lower side, slightly. But overall in the longer term basis we are keeping the same targets.

Palash: Yes. So, you are confident that you would be back on the normalized 30%?

Shivendra Nigam: Yes. We have a plan for the company, and we are working on it towards the 30% EBITDA margin plus-minus, always I said 5% different thing. EBITDA margin keeping 28%-30% in mind and 17%-18% of the margin we are keeping. So that would be all the plan.

Palash: And sir, my last question is any update you could give on your footwear stores?

Management: We have opened right now four footwear stores. Two more are in the pipeline. So, initially we have planned that we will be checking the market with the five to six new stores. So, after the six stores get opened, we will decide how to go further about this category. But footwear category we have kept in the old store also.

There are around 50 old stores, family stores where we have kept the footwear. And we are getting a decent response in those stores. So, we are planning that in the new stores which are coming, we add menswear category and the footwear category both.

Palash: Okay. Thank you, sir. That's it from my side. Thank you for your answers.

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

Shrinjana: Yes. Hi. Thank you for the opportunity. I just had a small bookkeeping question. So, should we also calculate the gross margins after the factory labour expense, right?

Shivendra Nigam: Yes, correct. Including all put together from the face if you see, it is the factory labour added in this one. So, I am giving you the gross margin reducing this one.

Shrinjana: Yes. I just wanted that number for this quarter?

Shivendra Nigam: Yes, yes. For this quarter, we will be able to deliver a gross margin of 59 up to 9 months. So, there is no reduction in the gross margin, no downfall.

Shrinjana: Okay. So, for 9 months, it is 59% after the factory labour.

Shivendra Nigam: After factory labour and all put together, yes.

Shrinjana: Okay.

Shivendra Nigam: Okay.

Shrinjana: Thank you. Thank you.

Moderator: Our next question is from the line of Neerav Jain, an Individual Investor. Please go ahead.

Neerav Jain: Hello, sir. Sir, you have some time back spoken about your focus on online sales as well. Just wanted to check in terms of proportion, where has that number reached and do you see because of that particular portion, do you see any impact on the margin because of online sales?

Shivendra Nigam: So, right. What we told our earlier target, same on track. Last year, we have been able to achieve 2.5% and this year we promised approximately 5% to 6%. So, this year, we will be able to close approximately 6% of our total revenue on track. And yes, there is slight reduction in the margin. That was approximately 1% which is because of the increase in e-commerce sales. That has also been affected.

Neerav Jain: Okay. And just a follow up question to some of the earlier asked questions. I just wanted to check, what is it that you are doing different in the new stores where you believe that the sales are happening positively compared to your age stores where you believe that there has been a decline in SSE growth.

So, there must be something new or better which you must be doing in new stores. Is that the case or is just that you are trying to capture new markets through the new stores and hence seeing positive results?

Shivendra Nigam: In the new markets, we are doing slightly bigger stores. Our new average store size in the last quarter is coming to be something like 1700 square feet. And our average company store size is 1200 square feet.

So, there is a good increase in the average store size in the stores we opened in the last quarter. And by increasing the size of the store, we have seen a positive impact in the sales also. So, bigger stores are giving the bigger revenues.

And definitely the visibility has also improved much due to the bigger front of the bigger stores. So, it's not just about capturing the market, it's the business sense also. If it's making a good business sense, then only we are going for the expansion. So, it's a pure business decision to go for a bigger stores and the new expansion.

Neerav Jain: So, will it be right to say that a PSF will go up probably if I have to project it for the next one forthcoming years? Are you seeing an uptake in the PSF as well because of this particular change in store size and all?

Shivendra Nigam: PSF generally tends to go down in the bigger stores. But the retail cost remains the same in the bigger stores. Retail cost is not going up. So, in the totality, our revenue is going up with the bigger stores. But yes, the per square feet sale is not going up with the bigger stores.

Neerav Jain: And sir, last question in terms of the projected sales growth, number of stores growing. What could be the mix of COCO versus FOFO stores?

Shivendra Nigam: It is going to be the same 75% by COCO stores and 25% FOFO stores.

Neerav Jain: Okay. That's all for my answer. Thank you so much.

Shivendra Nigam: Thank you, Neerav.

Moderator: Thank you. Our next question is from the line of Rajesh Sharma from Anand Rathi. Please go ahead.

Rajesh Sharma: Good evening, sir. So, a couple of questions from my side. First one would be, despite improvement in the gross margin in Q3 as compared to previous year, EBITDA has reduced significantly. Any specific reason for that?

Shivendra Nigam: In terms of reduction of EBITDA, right?

Rajesh Sharma: Yes, sir.

Shivendra Nigam: So, same thing. Because 4% reduction is the same as store growth, so obviously expenses are full. In fact, on an annual basis, slight increase in terms of existing manpower or rental, you can say.

So, that's the only thing, but everything is watchful. So, overall, the reason for reduction is this. In terms of EBITDA, as compared to last year, quarter-on-quarter, mainly expenses remain intact. However, the same store sale growth is not being there.

Rajesh Sharma: Okay, sir. Got it. And what would be the proportion of online sales and where we are present in that manner?

Shivendra Nigam: So, online proportion this year, as of now, out of this INR421 crores of sales, what we did, 27 is the exact number for the e-commerce. And overall, annual basis, 6% approximately, we are choosing for this financial year.

Rajesh Sharma: And are we making any profit on this?

Shivendra Nigam: Yes, sir. We are doing it. It is not that much of gross margin is there as compared to offline, but we are on a break-even side on this particular segment as well.

Rajesh Sharma: Okay, and last question. And what is the current manufacturing capacity and are we planning to add more capacities in next financial year?

Shivendra Nigam: So, existing capacity for our factory is approximately 15 lakh pieces, which we are enhancing. By the end of this financial, it should go approximately 18 to 20. But overall target for the company is from the manufacturing side, two-third of 60% from our manufacturing, including job workers, factory plus job worker.

Job workers are going to increase the moment our volume would increase. And the balance one-third of 40% would be from the FOB side for knitting materials, all the knits and accessories. So, that ratio broadly would be the same going forward as well.

Rajesh Sharma: Okay, sir. So, that's all from my side. Thank you.

Shivendra Nigam: Thanks, Rajesh. Thank you.

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

Yash Bajaj: Yes, good evening and thanks for the opportunity. Sir, you mentioned that in 50 stores we have introduced our footwear line and you said that there are positive responses from that. So, can you explain, I mean, how much of those 50 stores, each store, how much footwear contributes to the overall sales as of today?

Management: It's very less right now because it's only about two months that we have introduced. So, it's too early to say, comment on the figures. So, give us some time by the end of this new quarter, by the March and we will give you the healthy figures on the issue side. But overall, sell through is there, what we expected in footwear as well.

Yash Bajaj: Okay, and how much time will it take to expand the entire footwear line up to all our stores?

Management: We are not planning to expand it to all the stores because there is a limitation of the space in the old stores. So, in the old stores, we have only put in the 50 stores. In the new stores, which we are taking in a bigger size, we are putting the footwear. So, in almost 70% of the new stores, we are putting the footwear. So, in the old stores, we are not planning to do it in all the stores.

Yash Bajaj: Okay, got it. And my last question is that the money we raised in the press, just wanted to understand the reasoning behind not investing in increasing the rate of growth in the store expansion or in the manufacturing capacity than getting more benefit in the procurement side of it when it comes to the material.

Management: So, as I explained earlier as well, the purpose of not to increase in number of stores because we are always been a believer of sustainable growth. So, there's no point of making the store count double from 80 per year to 150 because the location finding is not. So, we are being there and the money which is being there was the existing working capital.

It's a plus for the company that there is some cash there in the books, which we will be able to explore in terms of and improve our gross margin. So, that's the basic idea behind this, not making that store count double.

Yash Bajaj: And that benefit we will get for another year or something. How would that be?

Management: We are expecting this. We are expecting this. He wants a negotiation or other things. So, probably that because the e-commerce share has been increasing. So, however, the maintaining the same gross margin is a challenge or one of us an improvement would be there. So, yes, at least we can expect a couple of quarters would be there to get these results.

Yash Bajaj: Okay. Thank you for the answers. And all the best.

Management: Thank you.

Moderator: Thank you. Our next question is from the line of Palash from Nuvama Wealth. Please go ahead.

Palash: Yes. Thank you, sir, for the opportunity again. Sir, what would be the nine-month SSG in volume terms?

Shivendra Nigam: A nine-month SSG in volume terms is 0.5% negative.

Palash: Okay. Thank you, sir. Thank you. That's it from my side. Thank you.

Moderator: Thank you. Our next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Yes, sir. Thank you for taking my question. I just wanted to understand on the women's section. I understand we want to increase our presence there. So, what steps have we taken there in terms of – you could put it in terms of capacity manufacturing or in terms of the women's stores, separate stand-alone women's stores that we have opened?

Shivendra Nigam: Yes. Today we have around 33 exclusive women's stores and around 11 to 12 more exclusive women's and kids' stores in the pipeline. And in the women's, we are majorly doing it through the third-party fabricators and the FOB. In-house production of the women's is not there. And we are planning to go forward also in the same format.

The women's new merchandise will be only outsourced or will be fabricated through the third-party fabricators. But yes, women's category is doing well. The new stores which we have opened are giving us the good revenues. So, that's why 11 stores more are in the pipeline for the ladies and kids.

Pallavi Deshpande: So, out of the total opening this year, how many were women's?

Shivendra Nigam: So, it will be around 15, 15 to 20 stores will be the women's stores this year, exclusive ladies and kids' stores.

Pallavi Deshpande: And the second question was in terms of the – what would be the malls versus ratio of stores, malls to the high street? And are we seeing that -- which store performs better, the one in the mall or the high street?

Shivendra Nigam: Yes, we were around 83% of our stores in the high street and only 17% of the stores in the malls. So, we are majorly high street brand. But yes, mall stores are also not doing well. We are not doing the stores in the C-class malls or the malls which are not performing well. So, the performance in the mall majorly depends upon the how is the mall doing.

Like if mall is doing great, then majorly the brands in that mall used to do well. And where we are present in the malls are majorly in the B category. We are not present in the very big malls and we are not present in the very bad malls. So, in the medium category of malls, we are there and the sales in the malls are also good, quite decent.

Pallavi Deshpande: So, the new openings will be more in malls or more on the high street?

Shivendra Nigam: It will be more in the high street.

Pallavi Deshpande: Right. And what would be the investment you are planning for in terms of the women's side for these stores? It would be similar to other stores?

Shivendra Nigam: Investment in the women's store also comes to be like the INR50 lakh per store. So, women's and kids' store size is lower than what the men's store and the family store are doing. So, investment is less in that category. So, it's come to be INR50 lakhs for the women's and kids' stores and it rounds come to be INR65 lakhs for the men's and the family stores.

Pallavi Deshpande: And the inventory term will be lower for these stores?

Shivendra Nigam: Approximately inventory days are the same for all the categories. There is not much difference in the category wise.

Pallavi Deshpande: That's all from my side. Thank you so much.

Shivendra Nigam: Thanks Pallavi.

Moderator: Thank you. Our next question is from the line of Saloni from Val-Q Investment Advisory. Please go ahead.

Saloni: Thank you for the opportunity. My question is that I see raw material expense and job work charges to be quite fluctuating on quarter-on-quarter basis. Even if we take it as a percentage retail, it's quite fluctuating. Can you just give me an idea about why is it so fluctuating?

Shivendra Nigam: So, in our case, there is always when you're coming for the trading account, the trading account has to be the combination of own manufacturing as well as job working. So, gross margin is important. What we have been maintaining. Some slightly up in there would be there in terms of job work. We did lesser job work charges because last year already some inventory pressure was there and we made slightly higher inventory last year. Cash flow was more used for the inventory last year.

So, this year we corrected all the inventory. So, overall, my gross margin is to be maintained, which is the part inclusive of job work charges as well as own manufacturing and FOB. So, all put together, gross margin is being maintained.

Saloni: Okay. Thank you so much. That's a solid point.

Vijay Bansal: Thank you.

Moderator: Thank you. Our next question is from the line of Bijal Shah from RTL Investments. Please go ahead.

Bijal Shah: Thank you for the opportunity. My question is on your footwear business. So, the footwear in whatever store you are introducing, is it also eligible for buy 2 get 5 scheme?

Vijay Bansal: Sorry, come again, not.

Management: Anything the same as buy 2 get 5 in footwear as well?

Shivendra Nigam: No, the bulk offer is not there on the footwear. In the footwear, we are giving the flat discount only because it's really tough for anyone to buy the five pieces. So, the flat price offer is only suitable for the footwear and we are keeping going with that directly.

Bijal Shah: No, no. I'm asking that, let's say I buy four pieces of clothes and one of footwear. Can I club it that way or that is not possible?

Management: No, mixing is not there. Mixing is not.

Shivendra Nigam: Footwear category will not be the government.

Vijay Bansal: Margins are not same.

Management: Because there are different margins in the footwear and the margins in the apparel category are different. So, they cannot be mixed together.

Bijal Shah: Okay. Okay. And I mean, how many stores do you plan to roll it out probably? So, all the new stores which are coming from them, would they have footwear on day one? And older ones, you said 50 stores, but in the new stores, all of them will have it?

Vijay Bansal: So, in the old stores, 50 stores we have identified where we have kept the footwear. So, these are majorly the bigger stores where there was availability of the space. And the stores which were slightly smaller in size or there is a space constraint, we haven't kept the footwear. And five, four stores we have opened for the exclusive footwear category. And the new stores which are coming, around 70% of the stores will be carrying footwear.

Bijal Shah: Okay. Sir, the second question is on your women's offering. So, sales for square foot and women's is similar to what you see in men's or it is very different?

Vijay Bansal: Sales for square foot is lesser in the women's and the kids category. But it's improving year-on-year. We have seen this time an uplift, good growth in the women's category in the winter season. So, we hope that's why we are going slow also in the women's EBOs. But we hope that this category will give good revenues in the future and it will be growing constantly year-on-year.

Bijal Shah: Besides sales for square foot, other things like the proportion of sold on discount and proportion of return, is that similar or how would you say broadly the economics of women's business versus men's business? Do you expect to evolve? Not today but probably maybe in two, three years when it stabilizes. How do you expect it to evolve?

Vijay Bansal: Yes, the retail cost is on the higher side in the women's and the kids store right now than the men's stores. But the stores, new stores we are opening are giving us good returns. Initially, there was some error also in our part because we are new into the ladies and the kids category. But right now, we have also got the right strategy to expand in the ladies and the kids category. The new locations which we are identifying and the new stores which are performing are better than what we opened initially. So, we are expanding in the ladies and kids category and we hope the business will improve further in this category.

Bijal Shah: Got it, sir. Thank you.

Vijay Bansal: Thanks, Mr. Shah.

Moderator: Thank you. Our next question is from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: Hi, thanks for allowing the follow-up. If you could just talk about your absolute volumes this quarter?

Shivendra Nigam: Absolute volume which we have done is around 13,88,000 pieces we have sold in this quarter.

Jatin Chawla: And inventory at the end of the quarter and Y-o-Y, how is it kind of moved? Because I think you spoke your corrected inventory compared to last year.

Shivendra Nigam: Correct. So, inventory is also on a very decent side. Since December was the highest of all the quarter in terms of inventory because of the high value of the winter product. So, this year might INR250 as of now, INR250 crores is the inventory for the end of the 31st of the

December. So, which we have been expecting it being slightly lesser in terms of days for the end of the financial year.

Jatin Chawla: And what was it last December? Because last December also, the same winter?

Shivendra Nigam: INR238. INR238 was the last December which is being increased for INR250 because we have been increasing the number of stores.

Jatin Chawla: Right, right. And any difference in SSG trends that you observe in Tier 1 and Tier 2 towns versus Tier 3 and Tier 4 towns?

Shivendra Nigam: No, there is the same trend at most of the places. We haven't noticed much difference in the SSG trends with respect to the Tier 1, 2 and 3 towns. So, it is almost the same.

Jatin Chawla: Okay, got it. Once again, thanks a lot.

Shivendra Nigam: Thank you.

Moderator: Thank you. Our next question is from the line of Ashish Kumar, an individual investor. Please go ahead.

Ashish Kumar: Good evening, sir. I have just two questions. As you told in the previous con call that there is a new target of INR1000 crores in the next few years. Any change in guidance for the same?

Shivendra Nigam: So, yes. Our long-term target is the same. So, considering the current financial year slightly and still we are hoping to achieve this target of INR1000 crores in the middle of FY'26. It is slightly maybe expended of a few more quarters. So, in the middle of FY'27, we will be able to achieve those numbers. So, there is no change in long-term strategies and plans.

Ashish Kumar: Okay, sir. But the previous financial year '23 and financial year '24 revenue approach are same. Not 25% growth like at that?

Shivendra Nigam: Obviously, yes. 23%, 20% what we were predicting not there because of the SSG, this year the problem. But we are very hopeful that next year this would be covered because last year our base was slightly on a higher side. So, overall on a longer term basis, yes. Whenever we are giving any number, plus minus 10% would be there. So, couple of more quarters would have been there. So, by mid of FY'27, the numbers are there. We are targeting the same numbers.

Ashish Kumar: Okay, thank you. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Mr. Deepak for closing comments.

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

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