August 17, 2023

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Fax No.: 022-26598237/38

Sub: Transcript of Earnings Conference Call dated 14.08.2023

Dear Sir/Ma'am,

With reference to captioned subject, we hereby enclose the transcript of earnings conference call held on August 14, 2023 at 12:00 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 LimitedQ1 FY24 Earnings Conference Call"

August 14, 2023

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 – 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 the Cantabil Retail India Limited Q1 FY24 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 us, since 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 contains Cantabil Retail India Limited has uploaded on the Stock Exchange and their website include the discussions during the call contains or may contain certain forward-looking statements concerning Cantabil Retail India Limited's business prospects and profitability, which are subject to several risks and uncertainties and the actual result could materially differ from those in such forward-looking statements.

I would now like to hand the conference over to Mr. Vijay Bansal– CMD, Cantabil Retail. Thank you and over to you, sir.

Vijay Bansal: Good morning and welcome to everyone present on the call. Along with me, I have Mr. Deepak Bansal - our Whole-Time Director, Mr. Basant Goyal –Whole-Time Director, Mr. Shivendra Nigam - Chief Financial Officer and Mrs. Poonam Chahal - ourCompany Secretary and Marathon Capital Advisory Private Limited, our Investor Relations advisor. I hope you will have got the chance to review our investor presentation, now who have not yet can view them on the Stock Exchange and the company website.

In Q1 FY24, we have seen challenges in retail sector in India and the operating environment was not on growth side in this industry.We deliveredrevenue of Rs. 112 crore, registering a growth of 11% year-on-year, mainly on account of our consistent expansion plan of our retail footprints. We registered a PAT of Rs. 12.27 crore as compared to Rs. 14.12 crores in quarter 1 FY23. In quarter 1 FY24, the company has added 14 stores in line with our expansion strategy of exploring new market of Tier 2,Tier 3 towns and beyond. Our total EBO stands at 461 stores as on June 30.We are also getting good results from our e-commerce venture with various marketplace partners. Our Omnichannel engagement further enhanced our customer experience and seamless shopping experience to them.

With this, I would like to hand over the call to our CFO, Mr. Shivendra Nigam.

Shivendra Nigam: Thank you, sir and a very warm welcome to everyone.Coming to the financials and operational performance highlights for Q 1 FY24. Our revenue from operations for Q1 FY24 grew by 11% and it stands atRs. 112 crores as compared to Rs. 101 crores in Q1 FY23.Now comes to EBITDA,EBITDA for Q1 FY24 stood at Rs. 34 crores and EBITDA margin for Q1 FY24 stood at 30.8% that is 31%. PBT stands for 13.6%, which is Rs. 15 crores and as far as PAT, we have registered a PAT of Rs. 12 crores with a margin percentage of PAT is 11%. We will now open the floor for Q&A session. Thank you.

Moderator: Thank you very much.Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ankit Behar from Shubkam Ventures. Please go ahead.

Ankit Babel: Ankit Babel here from Shubkam Ventures. Sir, couple of questions, what I was observing was that on a Y-o-Y basis, your gross margins have been maintained more or less, but your EBITDA margins have declined a lot, so what is the reason for the same?

Shivendra Nigam: So, Ankit, we have seennot a very steady growth on the same-store, so we have been able to maintain our gross margin, which we have been committed from earlier 65% of the overall margin inventory, but new expansion store is being there and we have seen actually same-store growth on a negative side for 5% in terms of volume which is due to various reasons. We have seen the industry was quite on a tough phase for this one, but overall things for the company is good. So, that is why we have been able to maintain the gross margin since the same-store growth was not there in Q1, so that is a little bit of an expansion to overall EBITDA as compared to last year, Rs. 14 is Rs. 12 crores for this year.

Ankit Babel: So, basically there was a negative operating leverage is what you say in this quarter?

Shivendra Nigam: So, for the first quarter, growth in the same store was not there so that is why it is being there.

Ankit Babel: So, sir, is there a seasonality in your business based on the various quarters, so which are the quarters where the performance is good and which are the lean quarter?

Shivendra Nigam: Absolutely, so actually this is the most lean quarter.That is the Q1. So, my sale was obliged in going quarter-on-quarter up Q1 and then Q2 is slightly up, then Q3 and Q4 because that is the winter and the ticket size has improved a lot. So, that is what the margin, but the gross margin has beenhigher for this side becausemostly the fresh season material has been there. So, the moment we will grow, our revenue will grow and the second half of the season that is third quarter, Q3 and Q 4 will have the best number.That is a very large number as compared to Q1 and Q2.

Ankit Babel: So, what are the sustainable gross margins and henceforth EBITDA margins for the full year you expect?

Shivendra Nigam: So, since initially for last many, our commentary, you must have been listening that we have been committed to maintain the 55% of the gross margin. Last year, we have seen because e-commerce will share has been increasing. So, we have been able to maintain approx. 55% on an annualized basis, quarter-on-quarter there would be a variation, but 54% to 55% of the gross margin is going to be maintained on an annualized basis. And when we have been able to maintain 55% of the gross margin, our EBITDA level margin would be 19% to 20% what we havebeen commented earlier and 12% to 13% you can say the correct margin would be maintained.

Ankit Babel: So, 19% to 20%, you mean to say pre-Ind AS margin, so on a reported basis, what will be your margin?

Shivendra Nigam: 29% to 30%.

Ankit Babel: So, 55% gross margins, 29% to 30% reported margins, 19% to 20% pre-Ind AS margins and net margins would be around 12 to 13%?

Shivendra Nigam: Correct, yes.

Ankit Babel: And sir, what kind of topline growth you are expecting for this year based on your retail expansion and the SSG finallyyou expect in the next 3 quarters?

Shivendra Nigam: So, even as the first quarter was, what I explained just now, we have not yet revised any of the targets and20% of the growth we have been expecting.

Ankit Babel: So, full year 20% revenue growth and will it be mostly led by store expansion or you still expect some SSG in this?

Shivendra Nigam: We are looking at Q1 was quite challenging,Q2 we are expecting some growth from the same-store as well and obviously Q3, Q4 will be there. So, initially what we have been committed, we are working on 5% of the same-store growth we are expecting, then the expansion and e-commerce has shown a very good results for us what we have been worked for last 2 years in a very harder manner, so e-commerce contribution would be there. So, overall target the 20% what the company has, the initial target, it has been maintained, we are not revisited or revised any target.

Ankit Babel: And is e-commerce a low margin business or a high margin business or a similar margin business as compared tothe company?

Shivendra Nigam: So, that is why I committed last year, 56+% of the gross margin, but the moment I will grow my e-commerce business, 1% or 2% of the gross margin level would be hit. So, that is why we have been committing 54% to 55% of the gross margin.

Ankit Babel: Sir, one more question was thatoff late we have seen a decent correction in the cotton prices from the peak, so will it help you to improve your gross margins or you will pass it on to the customer or will you take any price hikes or price cuts in the coming quarter, whatever based on the raw material price moment?

Shivendra Nigam: So, when the price has been settled or whatever being that we are not increasing any prices because the industry and we are working on a particular method of arriving at a market. So, thecost for the company is less obviously the benefit would pass on the customer because my MRP would be less and the earlier stuff which is on the higher price would be there. So, we have not any increase in the prices, intentionally, there is no increase in the price.If cotton prices are coming down, raw material prices have been coming down, obviously, the benefit will go to the customers.

Ankit Babel: But any price action you took in the first quarter or again the same model was followed?

Shivendra Nigam: There is no reduction we have been taken, there is no hike we have been maintained.Our parameters of arriving the prices is being seen.

Ankit Babel: Sir, my last question is the store level economics, so typically whenever you open a store, what is the CAPEX per store, per square feet, your CAPEX and what is the inventory and any other security deposit whatever, what is your investment when you open a store and at what level of revenues you guys break even at store level?

Shivendra Nigam: Correct. So, there are 2 questions you have been asked. Number one, what is the investment size in one storeand what is our breakeven period and payback period, right? So, as far as investment is concerned, average size for our store is approx. 1200 square feet and there is a cost per square feet coming in the range of CAPEXRs. 2,000 to Rs. 2,100 per square feet and approximately same with the inventory cost. So, if I am opening at 1200, you can say a ballpark figure of 1100 square foot. That is true. I invest across Rs. 22-Rs. 25 lakhs in between in the CAPEX side and at the same time same amount of it is required in inventory side. So, one store of 1000 to1100 and 1200 square feet includinglandlord deposit, some portion is there approximately roughly ballpark figure is 50 lakhs we have been investing. So, as far as revenue is concerned, we are targeting the store which has been giving us at least 1 crore of the annualized revenue on a maturity level. So, last year, if you have seen last year annual number was Rs. 1.35 crore for the one store revenue. So, that is the way ahead of this.By considering these factors, 1 crore of the minimum revenue size, 6 months is one and oversince from the very first month. Cantabil is the brand where you can get the breakeven from the first month itself, but overall, completing on annualized basis 6 months approximately is the breakeven period and by this CAPEX investment made2 to 2-1/2 years is our payback period.

Ankit Babel: And this Rs. 50 lakh is the gross investments, you must be getting some credit on your inventory also?

Shivendra Nigam: That is the other thing. I am talking about what the investment on the frontend side, because we are in production as well, right. When we are in production, there is some inventory is being required for the backend as well. That is in supply chain and manufacturing raw material, WIP. So, almost that amount, what we have across 25% to 30% that has been on the creditor side.

Ankit Babel: I mean any return ratios in your mind as a company we are targeting say 15%-20% ROCE?

Shivendra Nigam: Nothing like that.We are targeting overall business on a company level which has been very healthy ROE and ROCE is 30% you have seen and the 40% plus for the ROCE side, so that is the only one, not individually, because the potential on the 1 crore plus storage being there which has given Rs. 1.35 crore of the last year. So, overall company level we have been deciding.

Ankit Babel: So, you will sustain this 25%-30%?

Shivendra Nigam: Whatever the number, we are telling that is on a sustainable basis only.

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

Yash Bajaj: I had 4 questions. First is, did we see any impact of the postponement of wedding dates in this quarter and the share of wedding wear in this quarter and Q1FY23? That is my first question.

Deepak Bansal: Yes,we have been downside in the wedding business this summer season because majorly we have seen that the wedding business in the summer season have gone postponed for the winters because most of the people now prefer that summer weddings are uncomfortable, so in winter time the weddings are more comfortable, people are able to enjoy better in the open spaces. So, yes, we see that in the third quarter and the fourth quarter the wedding business will be very good and we have seen a slump in the wedding business in Q1.

Yash Bajaj: So, wedding wouldn't be that material this quarter, right?

Deepak Bansal: Because this is the monsoon season and anyhow monsoon season, there is no wedding season in India. So, yes, in quarter 2,there is no wedding buying.

Yash Bajaj: And my second question is, what was the contribution of e-com this quarter?

Deepak Bansal: E-com contribution is around 6% this quarter.

Yash Bajaj: And this was FY23, 3% to 4%?

Shivendra Nigam: No, FY23 for us on annual basiswas2.5%, Rs. 15 crores we did out of Rs. 550 crore, 3% approximately was the annual contribution.

Yash Bajaj: My third question is sir, what was the pre-Ind AS margin this quarter?

Shivendra Nigam: Pre-Ind AS margin for this quarter was 16.5%, which has been 31% for post-Ind AS, there is approximately 17%.

Yash Bajaj: Pre-Ind AS margin is 17%, right?

Shivendra Nigam: 17 EBITDA margin I am talking about.

Yash Bajaj: And my last question is, sir, how much inventory do we have on our books this quarter?

Shivendra Nigam: So, inventory in terms of days on an annualized this quarter also because this is the quarter where we need the started production for the winter as well. So, this quarter as well as on a 30th September, what we will guess. So, this itself is approx. 140 to 145 days of the inventory has been there, which was the last annual figure as well.

Yash Bajaj: So, there is no change in inventory days for this quarter?

Shivendra Nigam: Not now. We have to see on an annualized basis. Last year, it was 144 days and we have mentioned that we are submitted to bring it back to across 135 days because our inventory is to be understood in 2 parts, what is the majority confusion is being there because we are in manufacturing as well. That is very important this one. So, when I am talking about manufacturing, there are approximately 20% of my inventory is being there in raw material and WIP. So, when we are finding out our inventory there, we should not clubin that is like an investment we are making, Rs. 35 to Rs. 40 crores investment has been there. If I remove this then my inventory is approx. 120 days which we have been controlling.

Moderator: Thank you. The next question is from the line of Levang Shah, an Individual Investor. Please go ahead.

Levang Shah: Just wanted to understand from you the guidance on the marketing expenses on a yearly basis, what do you typically budget for?

Shivendra Nigam: So, overall marketing budget, we are keeping is 2% of the revenue to one and it is lying in between 1.5% to 2%. So, the target for this financial year is the same one.

Levang Shah: Just to follow up and kind of a related question would be, what is the expansion plan in terms of store additions for the next couple of years?

Deepak Bansal: Yes, we are planning to expand18 stores per year and so it is like 6-1/2 stores per month we are opening.

Levang Shah: Actually, just trying to relate both the questions together in terms of this aggressive store addition plan which is being planned, don't you think that this 1.5% to 2% is expected to go up further because obviously you will be adding new stores, so just to popularize those stores as well?

Deepak Bansal: No, we have been doing advertisement expenses majorly on the upcoming stores in the past also. So, our experience is that it goes up to 2% if we consider expenses only new store also. So, it will be in the same line as it will be coming around 2%.In absolute number, definitely the expense will increase because as the sale will go up than 2%, absolute value will be bigger. So, we don't think it will go up further.

Levang Shah: And sir, just the last question, I guess someone asked a question earlier, but just wanted to understand in terms of your per store square feet sales for the year, where do you see settling it up that by the end of the year? Obviously Q1 was, as you rightly mentioned, that was kind of muted, but what do you expect that will settle down at the end of the year on a yearly basis?

Shivendra Nigam: So, I think you what is per square feet till you are correlating with overall sale for the annualized basis?

Levang Shah: Right.

Shivendra Nigam: Yes, obviously when the same-store growth is not being there for the Q1 and that is normal for the industry. So, yes, that is on a slightly flat on the lower side.Last year for the Q1, my per square feet sale approximately 800 which came down to 700.On an annualized basis, what is our target? What we have been achieved in the past, we are very hopeful to achieve the same thing, plus minus 1% or 2% is a different.Overall it will be okay on an annualized basis.

Moderator: Thank you. The next question is from the line of Navsar Parikh from Native Capital. Please go ahead.

Navsar Parikh: So, my question was, do you do influencer marketing, what spell would that be?

Deepak Bansal: Yes, we are doing influencer marketing, so the spend is not very big because we have recently started like in the COVID time we only started with the online sales. So, influencer marketing is majorly done by the players who are majorly into the online space. We are majorly into the offline space. So, our spend on influencer marketing is little lesser, so it is not a very significant figure to be mentioned for the influencer marketing, may be coming around Rs. 2to Rs. 5 lakhs per month. That is it.

Navsar Parikh: And second question was on competition, increasingly players are opening stores in Tier 2, Tier 3, Zudio is also something that trend started and bunch of other competition, so what is your view on competition? Are you seeing increased competition and how should we think about that?

Deepak Bansal: The Zudio is really growing fast, so there is competition from this Zudio, but we see it majorly happening during the initial phase when the Zudio store opens in the town, yes, there is some impact in the initial months, but later on our sales stabilize or grow back to the initial level. So, I don't think Zudio is impacting us in the long run, in the short run, yes, for a few months after the opening it is impacting.

Navsar Parikh: On a long-term basis, don't you seeimpact and do have to do more things around pricing discount? Is it impacting your margins where theZudio is opening up or something like that?

Deepak Bansal: The Zudio quality is a little less what we are offering to the customer. So, once customers which is serialized that yes, Cantabil has better quality to offer than the Zudio is offering because they can't offer the sameprices or like half than what we are selling it. So, definitely quality can't be the same, so customer comes back to us.

Navsar Parikh: And I want to understand, do you track any data on repeat purchases, repeat customers and things like that and can you share some insights on that, what percentage would be repeat customers in a year and how many times do or does a customer come again or something like that?

Deepak Bansal: Yes, we have checked the data. We have around 50% customers who are repeating and 50% are these old customers which are the repeat customers.

Moderator: Thank you. The next question is from the line of Kapil Jigasia from Nuvama Wealth.Please go ahead.

Kapil Jigasia: Sir, if I heard it right, your same-store sales store was negative 5.7% right for this quarter?

Shivendra Nigam: Yes.

Kapil Jigasia: For Q1 FY23, what would have been the same-store sales were for us?

Shivendra Nigam: For last year, right, last year, you were talking about.

Kapil Jigasia: Yes.

Shivendra Nigam: I think it was in the range of approx. 6% to 7%, I am talking about Q1.

Kapil Jigasia: And like you had given a target of 5% to 7% same-store growth for the entire year, considering this negative round about 6%, are you still maintaining that range 5% to 7% or there is a revision in that?

Shivendra Nigam: So, to be honest, I mentioned earlier, we have not yet revised any of our budget or any of our target, so covering those numbers, because July has also started well, but due to an exceptional high rain, so it has been again on a flatter side slightly, but August is doing good. So, honestly speaking, we have not yet revised any of our annual budget, other things and we are very hopeful because in the festival season, the whole of the industry is looking at that and we are very sure the customer would come back. It may not be 5%-7%, it may be 3%-4%, 4%-5% on an annual basis, but definitely some part would be there and overall targets are still there.

Kapil Jigasia: And your realization growth, how would that be going forward for this particular and also for FY25 usually it is what range?

Shivendra Nigam: Absolutely on a same linked, everything is same. One, we have been expecting our same-store growth is there per square feet sale or average, everything would be maintained in that, so we are not expecting on an annualized basis, degrowth is much in overall terms.

Kapil Jigasia: So, your ASP of 1100 around, would that be maintained at the similar levels or we should be expecting some hike in line with inflation?

Shivendra Nigam: Whenever we are discussing any number and mentioning any number plus minus, 2%, 3% or that is a different thing, but overall targets are crossing 1100, we are very hopeful.

Kapil Jigasia: And sir, last question from my side, the gender wise sales breakup, but now where should we see this going forward, say in the next 2 to 3 years like the men percentage contribution that should be going down, the woman should be or kids should be going up, how would that be seeing in the next coming 2 years?

Shivendra Nigam: So, in our earlier commentary as well, we have told like we have been exclusively opening stores of ladies and kids, right? So, last year we are doing approx. 85%-86% of the men's categories, 9 to 10% of the women's, and 2% of the kids and 3% of the kids that is that. So, overall, it will increase slightly, but on an absolute term, like in Q1, we have seen a good growth in terms of ladies. There was a 10% contribution in terms of women. Kids has also grown from 2% to 3% and accessories also grown from 3% to 4% because men's obviouslysame store Tier-2 and Tier-3 has not performed so that has come down from 86% overall to 83%. So, on an overall basis, the numbers would be approx. 83% to 84%what we are expecting from men, 10%-11% from ladies, and then the 3% from kids and 3% to 4% from the accessories.

Kapil Jigasia: So, considering more store openings for women and followed by kids, would the inventory be going up for us in the near term?

Deepak Bansal: No, we are actually increasing the ladies and kidsstores very gradually. We are like opening only one ladies and kids store per month. So, inventory won't be going much up because the expansion for the ladies and kids is very gradual.

Kapil Jigasia: So, probably that would maintain around 140 days or so?

Shivendra Nigam: Yes, absolutely, those numbers, overall target for this one, but this is on 140 days. This is all considering both, so it would be in the same range on an annualized basis.

Moderator: Thank you. The next question is from the line of Sririnjana Mittal from Ratnatraya Capital. Please go ahead.

Shrirnjana Mittal: So, just a clarification, so you mentioned about a 20% of your inventory is work in progress, right?

Shivendra Nigam: Correct.

Shrinjana Mittal: And also we have around Rs. 200 crores worth of inventory, so like so just 80% of it that is basically investment in per store and also there is some inventory which we have in the FOFO stores because we don't book outright sales, is that correct?

Shivendra Nigam: Correct, absolutely.

Shrinjana Mittal: So, that will come to about per store,our inventory investment would be around, it comes around Rs. 40-Rs. 50 lakhs, so is that the correct number?

Shivendra Nigam: Depending on the size, you are right, because per square feet we are keeping approx. 5 to 6 pieces per square feet and approximately 2 to 3 pieces per square feet is being there on my backend supply chain. So, if I will be investing apart from my work in progress and raw material, you can take it approx. 8 pieces being investment,8 to 9 pieces is being there.So, consideringRs. 425 approx., so overall considering the backend inventory on that because we are opening bigger stores now.Earlier, our size was this quarter, we have our average size opening is approximately 1400, obviously on the size basis, 1400 square feet store is being there conceding backend andfront-end inventory Rs. 35 to Rs. 40 lakh inventory is being there.

Moderator: Thank you. The next question is from the line of Rajesh Jain from Jinanand Research. Please go ahead.

Rajesh Jain: My question is like what are the store additions planned for this year as well as next year?

Deepak Bansal: Yes, we are planning to add 80 stores this year and 80 new stores in the next year. So, it will be combination of all 3 kind of exclusive men's, men's and ladies, family and ladies and kids store. So, this is the number which we are maintaining from the last few, this is the only number we will be going with in the coming years.

Rajesh Jain: Can you give the break up from this raw material from COCO and how much from COCO?

Deepak Bansal: Our ratio is 70:30, 70% of the company stores and 30% are the franchiseestore and we will be going with the same model in the future.

Rajesh Jain: One more question, can you give us any guidance related to revenue and margin for FY24 and if possible for next 2-3 years?

Shivendra Nigam: So, as I mentioned earlier as well, we are expecting a growth of approximately, you can say in the range of 18%-20% for this financial year and going forward also but is that the revenue growth we have been expecting. So, the moment I will be in our earlier commentary, as I said, the moment we are growing by this20%-22% of the CAGR, so by FY26 we have to take a target of across Rs. 1,000 crore of the revenue company.

Rajesh Jain: So, one more question, what is the demand outlook for the current season you foresee?

Deepak Bansal: Demand outlook in the current quarter is not very good, July was little bad due to the flood, August is good, but in the quarter 3 and quarter 4 demand outlook is very positive because there will be a Diwali season and post Diwali, there will be the winter season which are the highest sales season of the year. So, the demand outlook for the second half of the year is very good.

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

Arpan Rathod: Couple of questions from my side. First is, you have guided for around 70 to 80 stores per annum, when I look at the manufacturing side, my question is how much is the capacity and how is capacity? And secondly, what are the plans in terms of considering we are on to an aggressive store expansion plan, are we looking at any investment in terms of adding more capacity in-house?

Shivendra Nigam: So, what is our manufacturing capacities are, so when I am talking about this financial year or last financial year, we have a state-of-the-art factory in our Bahadurgarh, Haryana, which is being able to produce approx. 15 lakh garment per annum, right, so that is for till the last year that was able to supply one third of our requirement of complete sales and at the same time one third we are getting from our dedicated fabrication units, whom we are supplying the raw material and they are just fabricating and giving us. So, two third we are being completely controlling and the balance one third will be coming from a FOB basis for mainly the knitting material. Ludhiana is up for that and we are also procuring from years from Ludhiana itself. So, this one-third, one-third, one-third proportion is being there one third from the own factory and one third is from the fabricator that means two third is from the manufacturing side from our side and one third is from this line. So, going forward, we are working on this and the same proportion would be maintained, two third would be maintained from the factory as well as fabricator and the balance would be coming from one third of 40% on anannualbasis.

Arpan Rathod: So, the point which comes out is, considering that you are currently at 460 odd stores and you would be around 700 stores in the period of 3 years from here, so what is the CAPEX that would go in terms of capacity expansion? Will we have to acquire more land for setting up the factory or the current land is sufficient to take care of that expansion?

Shivendra Nigam: We are core retailer, we are not manufacturer, but the state-of-the-art factory and we are very good in manufacturing, so we do not have immediate plan to increase our own production in terms of factory, but definitely the fabricating unit that is also is like our unit, we are only controlling them, supplying them so that is so this year we are enhancing our capacity for our Bahadurgarh factory which may go from 15 lakhs piece to 18 to 20 lakh pieces and that would be there.So, this year already CAPEX investment has been there. Every CAPEX investment we are doing in terms of backend, that is we are creating an office cum supply chain that willrequire heavy investment so that will finish this financial year as well as next financial year including the capacity enhancement. For the 2 years that is this financial year, next financial year we have a plan in terms of backend investment, backend capacity enhancement, but going forward, when I am talking about 700, there is no further CAPEX heavy plan apart from this, what is going in this financial year andnext financial year. That is coming from the fabrication side as well as from the FOB side.

Arpan Rathod: Related question on this, what is the margin advantage in terms of in-house manufacturing or the fabricators whom you control vis-à-vis outsourcing it entirely and this question is coming from a point wherein you mentioned considering that we have our own manufacturing also the inventory is little higher in terms of raw material and all, just wanted to understand the match around this?

Shivendra Nigam: I think there are 2 questions you put, number one in terms of margin, is there any difference in the margin and number 2 as far as since we are in manufacturing as well as fabrication, so there is an investment in terms of raw material.That is correct as I mentioned earlier. So, as far as gross margin is being considered the overall we have been there and the 55% or 54% we are being there. There is not much difference because mostly the same prices we are giving to those fabricator what we have been there.So, slight difference has been there, but not the much bigger difference has been there.I have your next question. So, that is from the margin side. So, overall margin is being maintained, slight difference has been there on the margin, but overall margins have been there.

Deepak Bansal: in-house manufacturing, definitely slightly better one which we are giving to the fabricator because the profit margin of the fabricator we are able to face when we are doing in-house manufacturing.

Arpan Rathod: Because we are able to control the quality and everything?

Deepak Bansal: Yes, we have a quality checker team, so there is a proper team to check the quality so there is no issue of the quality control.

Arpan Rathod: My other question is, are we more inclined towards winter wear?

Deepak Bansal: Yes. Our sale is more inclined towards the winter wear. Our sale ratio is like 40% in the first half and 60% comes from the second half.

Arpan Rathod: And is that the same reason why our store expansion or current stores we are less present in South and more in North?

Deepak Bansal: Yes, it has a reason, due to the climatic factor also because in South, there is no winter season as such. So, we have plans to go in the South last when there will be saturation in the North, East and West, we will be going to the South due to the climatic factors.

Arpan Rathod: So, how many stores we can on a backup envelope working? How many stores do you plan to add up in next 2 years aggregate in terms of South expansion?

Deepak Bansal: In South for the next 2 years, I don't think there will be much need because there is much space in the rest of the year. Yes, after 2 yearswe will go there in the South market also.

Arpan Rathod: One more question from my side, considering that this end of season sale season is on and you guided that this quarter so far have been muted, are we feeling increased pressure in terms of our margin for this quarter?

Shivendra Nigam: Increase pressure in this quarter, what you are saying quarterly margin?

Arpan Rathod: Typically, this is more of end of season sale quarter wherein all the guys come up with sales and our model recently is also discounted sales model, so do we have to increase the discount further or how is it, the demand scenario?

Deepak Bansal: No, we are offering the same discount which we have offered last year. So, there is no extra discount we are giving to the customer. So, the margins will be maintained in this quarter.

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

Yash Bajaj: I just dissected the stores according to the region, North, West, East, South center, which you generally given your presentation and annual report, so I have basically done a calculation of our revenue per store for the last 5 years, so according to my calculation, your West region is performing really well, but your North region is slightly underperforming, is that observation right?

Deepak Bansal: No, it iswhat we have observed in the Q1 is that the worst performing state was the Gujarat state in the Q1.

Yash Bajaj: I am not talking about Q1, I am just talking about let us take like last 5 years, so overall last 5 years?

Deepak Bansal: No, I will tell you in the West region, we have very less presence in the last 5 years. So, in the West, the more openings happened in the West because the space was vacant. So, that is why it looks like the West region is growing really fast, but the North region is also growing, it is our like age old home, North is our age old home. So, definitely growth will be little lesser than from the Western territory when it comes to the pace, but when it comes to the absolute number, definitely North region contribute bigger chunk than the Western region.

Yash Bajaj: I was actually looking more specifically at the revenue per store number of North region?

Deepak Bansal: North annual per store region will be little bigger than the Western region due to the climatic factors.

Yash Bajaj: And sir, my second question is, how much would be our e-com in Q1 FY23 and we have seen a big jump in e-com share, so what are we doing there?

Basant Goyal: Yes, basically oure-commerce has jumped to more than 300% for the last Q1 in the last year, so we have closed the revenue at Rs. 6.4 crores in this Q1 and our target would be again the same of around 6% to 7% of the total sale in the whole year. So, basically, we have added more inventory in the e-commerce business. Our inventory is like we have full inventory, our omnichannel is doing really well. We have added 200 stores of Myntra and we have also added the omnichannel, and alsoadding the omnichannel forAjioas well. So, that will be a growth driver for us and I hope that we will be able to achieve that number. We will be trying to close around Rs. 45 crores -Rs. 50 crores this year.

Yash Bajaj: And we sell on Myntra and Amazon?

Basant Goyal: We arepresent on all the leading market players from Myntra, Jio, Tata Cliq, Nykaa, but the best performer is Myntra which contributes around 50% of the overall sales.

Yash Bajaj: And you said something related to 200 stores being on omnichannel which are linked to Myntra?

Basant Goyal: Right.

Yash Bajaj: So, basically, someone buy something on Myntra, so that is delivered from that store, that is how it is?

Basant Goyal: Yes. So, basically all those 200 stores like becomes our warehouse. So, we have our stores like in Gujarat, Maharashtra and in the East as well. So, the customers is orderingfrom Maharashtra, it becomes easier for him to get the delivery, he get the material delivered within a couple of days. So, that increases the delivery timeline for us and reduces the logistics cost as well. So, the overall inventory exposure that we have on the Myntra is like big because all those 200 stores have become a separate warehouse for us.

Yash Bajaj: And you said that the e-com segment is performing well because you have increased our inventory over there, right, that is how it is?

Basant Goyal: Yes, basically what we have done is that last year we were only telling the inventory that we had, but now we are working on best sellers as well. There are certain articles that are doing really well on Myntra, some basic core articles. So, we have made those articles separately for the online business as well and they are doing really well. Those articles are performing well on all the platforms.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Vijay Bansal for closing comments. Thank you and over to you, sir.

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 all.

Moderator: Thank you. On behalf of Cantabil Retail India Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.