GO COLORS!
GO FASHION (INDIA) LIMITED

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Dear Sir / Madam,

Subject: Transcript of Earnings call – Q4 FY 23-24

We hereby enclose the transcript of earnings call for the financial results for the quarter ended 31st March, 2024.

This is for your information and records.

Thanking You,
For **Go Fashion (India) Limited**

GAYATHRI KETHAR Digitally signed by GAYATHRI KETHAR Date: 2024.05.08 11:53:44 +05'30'

Gayathri Venkatesan
Company Secretary & Compliance Officer

Encl: As above

“Go Fashion (India) Limited

Q4 FY ‘24 Earnings Conference Call”

May 03, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 3rd, 2024 will prevail

MANAGEMENT:

1. MR. GAUTAM SARAOGI – CHIEF EXECUTIVE OFFICER – GO FASHION (INDIA) LIMITED
2. MR. R. MOHAN – CHIEF FINANCIAL OFFICER – GO FASHION (INDIA) LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '24 Earnings Conference Call of Go Fashion (India) Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' 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 this conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gautam Saraogi, CEO, Go Fashion (India) Limited. Thank you, and over to you, sir.

Gautam Saraogi: Good evening, and warm welcome to everyone present on the call. Along with me, I have Mr. R Mohan, our Chief Financial Officer; and SGA, our Investor Relations Advisor. I hope you have all received the investor deck by now. For those who have not, you can view them on the stock exchange and the company website. The retail industry has witnessed a temporary decline in demand due to higher inflation and changing spending patterns.

With prices on the rise, consumers are becoming more cautious with their purchases, favouring essential goods over discretionary spending. This has led to several retailers experiencing reduced footfall which is impacting performance. Although the near-term outlook for the industry seems challenging, the underlying fundamentals still remain strong for the long term.

Despite these industry-level challenges, our company achieved a 15% Y-o-Y growth in revenue to INR763 crores in FY '24. EBITDA stood at INR242 crores witnessed a growth of 14% on a Y-o-Y basis. Our PAT for FY '24 stood at INR83 crores, which was flat on a Y-o-Y basis. On the SSSG front, we had a flattish SSSG. Since its inception, we have maintained a strong track record when it comes to full price sales. In FY '24, full price sales has contributed 95% of our revenue. This underscores the brand's strong consumer loyalty and also highlights why Go Fashion stands out as a preferred brand in the women's bottom-wear apparel space.

Our unique pricing strategy combined with quality of products keeps us at the sweet spot in the industry. Our ASP continues to witness growth and stood at INR752 , which was INR727 during FY '23. This growth has been driven by improving sales mix. Our A&P spend stood at 2.1%, which is in line with our guidance. During the year, we added a net total of 84 stores, bringing ~~us to~~ overall ~~to~~ count to 714 stores. While these net additions are lower than anticipated, it was a strategic decision to close down stores that didn't rebound post the COVD-19 pandemic and were a drag. Going forward, we expect to return to a normalized store closure rate of single digit for the next year.

For FY '25, we aspire to add between 120 to 150 stores on a net basis. Coming to the working capital and cash flows front. In line with the commitment to sustainable growth driven by cash flows, I'm happy to share that as on FY '24, we have witnessed a multi-fold jump in our Pre-Ind AS operating cash flow, which stood at INR111 crores, which was INR20 crores in FY '23. This has been driven by strong inventory management initiatives, coupled with the rationalization of inventory at awarehouse level. We have successfully converted 82% of our EBITDA to OCF during FY '24.

Inventory days as of March 24, stood at 104 days compared to 126 days in March '23, a reduction of 22 days. We continue to remain focused on enhancing efficiency as far as working capital spends are concerned. On the way forward, we want to achieve low single-digit SSSG going forward through increasing our value-added sales. Secondly, we would want to grow our footprint by increasing the number of stores by 120 to 150 stores a year.

To conclude, as inflation stabilizes and consumer spending having normalized, we anticipate a gradual revival in demand across India's retail sector. Despite recent downturns, the market inherent resilience suggests that as economic conditions stabilize, consumer confidence will recover stimulating growth. This underscores the potential for a robust resurgence in retail demand, reflecting a promising outlook for the industry going forward.

With this, I would like to hand over the call to our CFO, Mr. R. Mohan for the update on Q4 and FY '24 results and financials. Thank you.

R Mohan: Thank you, Gautam, and good evening, everyone. The company continues to maintain a strong operating performance despite of the challenging business environment. First, I will give you financial highlights for Q4 FY '24. Our revenues for the quarter stood at INR182 crores as against INR158 crores in Q4 FY '23, a growth of 15% Y-o-Y. Gross profit stood at INR115 crores, a growth of 15% Y-o-Y, with a GP margin of 63.5% for the quarter. Our EBITDA for the quarter stood at INR54 crores as compared to INR50 crores in Q4 FY '23. A, growth of 9% Y-o-Y, our EBITDA margin stood at 29.7%.

Profit after tax for the quarter stood at INR13 crores. PAT margin stood at 7.2%. Coming to the FY '24 performance, revenue is at INR763 crores in FY '24 as against INR 665 crores in FY '23, a growth of 15% Y-o-Y. Gross profit stood at INR471 crores, a growth of 17% Y-o-Y with a gross margin of 61.7% for the full year.

EBITDA for FY '24 stood at INR242 crores as compared to INR212 crores in FY '23, a growth of 14% Y-o-Y, our EBITDA margin stood at 31.8%. PAT for FY '24 stood at INR 83 crores, which was flat on a Y-o-Y basis. PAT margin stood at 10.9%. The ROCE and ROE, excluding Ind AS impact as on FY '24 stood at 19.1% and 16.2%, respectively. Cash and cash equivalents stood at INR198.4 crores as on 31st March 2024.

With this, we will now open the floor for questions and answers.

Moderator: Thank you very much. The first question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: If I can squeeze in 2. So firstly, typically, we have always guided for a 10% SSS growth, which is a mix of 5% or half and half in terms of volume and mix. I'm sorry, I missed your opening remarks you set some number, but I missed, but with the gradual recovery being eyed now, so for FY '25, would you still hold a 10% SSS a growth guidance or this number typically should tend towards 10%, but overall, for the full year, it must be settling somewhere at a lower level, your thoughts here?

Gautam Saraogi: Yes, see. Our initial target was 10%. But due to demand sluggishness in the last few quarters, we have changed our guidance as far as SSSG is concerned. This quarter in quarter 4, we have reported a 1% SSG. So our target is to slowly get to about 4% or 5%. So maybe by the end of FY '25, we should be closer to 5% to 6% of SSG is what we think would be a fair number. And then maybe the years after that, we will get back to a normalcy. But the way the demand is looking, the recovery in SSG is going to be gradual. So where we stand at 1% in quarter 4, you would want to go to 5% to 6% by maybe middle of the year or maybe end of the year. It depends on how demand shapes up.

Sameer Gupta: Got it. Got it. So when you say 5% to 6% by the end of the year, full year will be average somewhere in the middle 2%, 2.5?

Gautam Saraogi: Very difficult to say right now, Sameer, because right now, demand has been fluctuating. It's not shaped up very well. So honestly, I'll be able to guide on the full year SSG only once Q1 was over. But for Q1, our target would be to do an SSG of 2% to 3%.

Sameer Gupta: Okay. Fair enough. Secondly, I see that the LFS growth has been stellar in this quarter. And if I remember, there was some INR9 crores of credit reversal in the base quarter. So if you adjust that the growth in the LFS channel is even higher at 66% Y-o-Y. Just wanted to confirm, are there any one-offs here or the base had an on-off and now it is correct?

Gautam Saraogi: No, no. See the thing is last year Q4 LFS and this year Q4 LFS has had a one-off. See last year, we have received a credit note from an LFS party to the tune of about INR9 crores, which is INR8.5 crores to INR9 crores, which you correctly mentioned. And this year, we've received a credit note of INR7.7 crores. Now what these credit notes are, basically, with this LFS party, we participate in a discount promotion for the full year. Last year, we had over participated and Reliance, which is our LFS partner, has given us the refund of the excess discount. And this year, we had underutilized.

So in both years, we've got a credit note from the party. So this year, it was close to INR7.7 crores. And last year, I think it was around INR8.5 crores. So if I net off that, our LFS growth would be about 30%.

Sameer Gupta: Got it. So both years, it's a credit.

Gautam Saraogi: Both years, it's the credit. Absolutely.

Sameer Gupta: Okay. But typically, it happens when the demand scenario is very robust, right? You don't really need credits or discounts. So in a scenario where demand has been pretty weak. Why have we ended up with underutilizing these credits?

Gautam Saraogi: No, because see, when the demand is weak participating in any kind of promotional offers any way does not make any sense. Any way these discounts that we participate with the LFS partner, this is not product level discounting this is bill level discounting. And I think the LFS partner also has actually not run as many offers like what they had run last year. So that underutilization is because of that.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Capital.

Prerna Jhunjhunwala: Just wanted to understand your strategy for growth going forward? Like what all steps would you be taking to revive growth in this year, which would help you to report SSSG, in terms of maybe product pricing or innovation? I mean, just trying to understand what will drive growth because some brands are growing and some are struggling. So there should be some strategy in place to drive it?

Gautam Saraogi: No. I mean, look, see, this year, we just have to ensure that our product mix we are coming out with some active wear products also in Q1, which will go live in June. And our product mix keeps evolving in terms of colours and what colours we are introducing. Soat the product level, look, we have to be up there from a mix perspective. Otherwise, growth will not happen. So at a product level, we are really work hard.

From an execution level, what we have decided internally as a management is that we are going to incentivize the staff more so that the top line sales of that particular store can increase. Usually, the incentive payout whatever staff gets at the end of the month is around INR2,500 to INR3,000. If we can slightly increase that, that will motivate the staff to do a higher sale. So we are trying to bring in a variable component to the staff, so that the overall top line sales can increase.

So as a percentage, like cost does not increase because of that because that will impact in higher sales, but it will definitely have an upside.

Prerna Jhunjhunwala: Okay. And anything on pricing or you mentioned that you are introducing some products in athleisure wear or accessories. I missed your...

Gautam Saraogi: No, athleisure.

Prerna Jhunjhunwala: athleisure. Okay.

Gautam Saraogi: See, from a pricing perspective, Prerna, I think, we are not going to take any price hikes and that's always been a fundamental core belief. Yes, our ASP, we are visualizing that our ASP should grow at a rate of 4%, 5% on a Y-o-Y basis because of product mix. But from a pricing perspective, we don't see ourselves taking any price hikes.

Prerna Jhunjhunwala: Any price corrections that you see?

Gautam Saraogi: No, we are also not going to reduce any prices, neither increase neither decrease. But ASP will grow on the basis of product.

Prerna Jhunjhunwala: Okay. And the last question on gross margin. The gross margins continue to remain stable. That's a good thing. But do you foresee that increasing going forward? Or it should not?

Gautam Saraogi: See, I think if you compare FY '24 with FY '23, there's a 100 bps increase in our GM. This is basically the lower cotton price benefit coming into the gross margin. I think moving forward, I think we'll see another 50 bps increase in the next couple of quarters. So I see our GM steady at about 61.5%.

Prerna Jhunjhunwala: Okay. So it will stay there at 61.5%?

Gautam Saraogi: No. I mean look, I mean, see, very difficult to predict because, like I said, because we are in an inventory rationalization mode, when we were not buying inventory, but then the cotton prices were low. Now since we have started stocking inventory a little bit of cotton prices slightly. So it's very difficult to ascertain what our steady-state increase in GM would be, but I visualize that another 50 bps increase in our GM should happen.

Prerna Jhunjhunwala: Okay. And our EBITDA margin should also remain stable largely because the GMs will largely remain stable. And since SSG growth you are targeting at low single digit? And I mean I see EBITDA pressure going ahead as also at this SSG level. So can you please clarify?

Gautam Saraogi: See, I think, look, if you are able to achieve 3% to 4% SSG in H1 and over the years. I think, I guess, we should be able to achieve an EBITDA right now on pre-Ind AS EBITDA is about 17.7%. So I think that and we will target at around 18% to 19% of EBITDA for the full year. So we will definitely target in that range.

Prerna Jhunjhunwala: Okay. And that is possible with mid-single-digit SSG?

Gautam Saraogi: Yes, it should be possible. If we are able to deliver 3% to 4% SSSG. I think EBITDA margins, we should be able to maintain at about 18% to 19%.

Prerna Jhunjhunwala: Okay. And is your your SSG was flattish. Can you just help me with the number?

Gautam Saraogi: It was 0. I can just tell you exactly just give me a second. It was 0.02%.

Prerna Jhunjhunwala: Okay. That's flat, okay, sorry. I thought maybe it would be some 1-odd percent or something so that's why...

Gautam Saraogi: No, no, it was 0.02%.

Moderator: The next question is from the line of Avinash Karumanchi from Equirus.

Avinash Karumanchi: I'd like to highlight that you made this pre-Ind AS differentiation that actually helps this quarter. I'd like to congratulate on that. And coming to that, so the rental costs have increased by close to 10% this year. So this is more or less significantly higher than what we have seen. Historically, it has grown at 6%. Any particular reason for that?

R Mohan: Avinash, the larger reason for rental costs going up is largely because of flattish SSSG, we really see rent as a percentage of revenue. So if I take FY '24, our rent cost for EBO's has been INR118 crores versus INR90 crores in FY '23. So this increase in rent, obviously, is also because of new stores getting added and rent increments happening. But as a percentage of revenue is going up because of flat.

Avinash Karumanchi: No, no, no. I'm asking like a per store rent, if by divide it by the stores and divide by total rent. So then the per store rent that we are getting is somewhere around INR1.8 million per store, which was like 10% higher than what it was last year.

Gautam Saraogi: The rent number you've taken you've taken from the presentation?

Avinash Karumanchi: The Pre-Ind-AS, lease liabilities…

Gautam Saraogi: The thing is the rent there will include head office, warehouse, small, small satellite warehouses, everything. So that will not be the right number for you to divide it by the number of stores. So I can tell you the exact number. Our rent for the full FY '24 was INR118 crores. But even if you take INR118 crores and divide it by the total number of stores, it will be a misleading number because all the stores have not opened in quarter 1. So the denominator has to be different for you to arrive at rent per store.

Avinash Karumanchi: Got it. Got it. So that actually helps INR118 crores actually tells my number. Okay. And the other question was that this year, we are seeing a lower number of stores addition, but the CapEx was actually higher than what it was last year. So what was the actual difference, like the CapEx from the cash flow statement?

Gautam Saraogi: See, we've had INR43 crores mentioned in the cash flow. So in that, see, we have opened about 84 stores net additions, but we've had some relocations and renovations. So to the extent of about, if I'm not wrong, your relocation the regulation should be about 15 stores or 17 stores. And plus, we've also bought some equipment for our warehouse also in Tirupur. So that's why the CapEx shows you higher to that extent.

If our 84 stores are the net additions, we would have done some store relocations, and we would have done some renovation. So that would have also played an impact on the CapEx pricing going up.

Avinash Karumanchi: Okay. Okay. Okay. So next year with the realization of...

R Mohan: One minute warehouse expansion is also there in capital expenditure.

Gautam Saraogi: Yes, so in our existing warehouse in Tirupur, we are just slightly extending the space there. So maybe that's also one of the reasons for the higher CapEx. But that will not be a significant number because largely the entire CapEx goes towards stores.

Avinash Karumanchi: Okay. Okay. One last question, sir. So next year, are we guiding for like what would be the guided number of stores edition. So this used to be around 120 last year and we sort of upping it to 150 if the cycle turns positive for this year, but still the cycle is weak. So what would be the numbers that we'd like to add next year?

Gautam Saraogi: No. See, I tell you, this year also, we've added a good number of stores –its just that since we've had 23 closures, it's bought our net number below 100. See what has happened, out of the 23 store closures, 13 stores are closed because of COVID and it was loss making. From The balance 10 stores some of them are kiosk, which we didn't want to continue because over a period of time, ours is the complete store format or historical kiosks of 2014 and '15 were running which are not adding too much value. So those 3, 4 kiosks we took a call. 3, 4 airport stores we took a call where the footfall in certain terminals have gone down, and it was not adding advertising mileage for us.

So we had taken a strategic call of shutting those 3 or 4 airport stores. But out of the 23 stores which have closed through the 12 months, 13 stores are actually pertaining to stores which were loss-making because of COVID. And that's why we have taken a call. Next year, we don't any of the stores. So next year, our closures are going to be in low single digits. And we see ourselves delivering between 120 and 150 stores.

Moderator: The next question is from the line of Shreya Baheti from Anand Rathi Institutional Equity.

Shreya Baheti: Sir, I just wanted to understand like for interest expense are for quarter 4, are expenses increasing by 36% year-on-year and 10% on a quarter-on-quarter basis. And even for full year, it is increasing by 37%. So why is that? And if you could provide the breakup for the interest expense?

Gautam Saraogi: This you're saying on the reported number or the Ind AS 116 number Shreya?

R Mohan: It is in the Ind AS 116 total.

Gautam Saraogi: So, Shreya, the right way of looking at it would be looking at the rent from a Pre Ind AS number because when the rent gets capitalized, it gets capitalized into interest and depreciation. And when renewals come up [because of Ind AS 116 there is a larger rate on the P&L. So the right way to look at it would be looking at rent before EBITDA rather than looking at it as interest and depreciation.

R Mohan: No, no. She's asking about interest Gautam. Interest is only Ind AS effect. There is no Interest cost because we don't have any liability. We don't have any interest paying things.

Shreya Baheti: Sir, if possible, Could you give me break-up of how much interest and lease liabilities, how much it has increased when if you can give a breakup of the finance cost?

Gautam Saraogi: I have the number here. So the interest cost because of rent, Ind AS basis if for quarter 4 is INR8.05 crores. And the depreciation on the base of Ind AS, rent is about INR20.88 crores for quarter 4.

R Mohan: Shreya, If I'm not mistaken, you were asking about the INR39 crores interest, correct?

Shreya Baheti: Yes, sir. Yes, my question is that...

R Mohan: Out of the entire of INR39 crores only INR1 lakh is relating to the interest kind of interest working something like that. INR39 crores is because of Ind AS. That's what I'm trying to repeat.

Shreya Baheti: Okay. Okay. And also, sir, the same question for employee expense. And I just wanted to understand that employee expense has been increasing by 22% year-on-year for quarter 4. And for full year basis, it is increasing by around 27%. So like can you please...

Gautam Saraogi: It's because of our employee cost share is largely front-end. So these are basically employees at our EBOs and at LFS. So 1 of the reasons for the employee cost as a percentage to look sharp is because of muted sales. So it's largely increased because of expansion and increment which was given last year. So these are largely front-end employees. So the reason as a percentage, it looks higher is because of muted sales.

Moderator: The next question is from the line of Raj Shah from Ambit Asset Management.

Raj Shah: So one question that I had was that if we see currently your store location, so majority of the store are currently in metros and Tier 1, so Mumbai has 70 stores, Ahmedabad has around 25, 30 stores. So of course, we follow a cluster-based approach. But going forward, do you see that there is a congestion in the metros and Tier 1s so that going forward, a higher number of stores would be opened in Tier 2, Tier 3. And eventually, because of that, though rent expense might come down, but also the revenue per store might also come down?

Gautam Saraogi: No, I don't see that issue. So even in the coming year, we see ourselves doing the same way that 50% of the stores are going to keep coming from the metro cities and the balance would be from the balance. I don't see that changing much.

Raj Shah: We have adequate space still available in the metro too.

Gautam Saraogi: Absolutely. Absolutely.

Raj Shah: Okay. Okay. And sir, second question would be, so currently across the different categories, what would be your category mix between lounge wear, Denims. So what will be the contribution from the newer categories like denims and lounge wear et cetera that we have started this year?

Gautam Saraogi: So Denims and lounge wear are still smaller categories because we are selling very large volumes of the other categories. So this is still low single digit. So our mix is still Chudidar, leggings with 45% and the balance, value-added products contribute to about 50%, 55%. So this will be low single digit. The denims and lounge wear that you are specifically asking about would be low single digit.

Raj Shah: And how has been a growth been in this categories, the newer categories.

Gautam Saraogi: No, very, very encouraging. I think Denim, when we launched in Q1 of this year, it does fairly very well for us, so very encouraging.

Moderator: The next question from the line of Vikas Jain from Equirus Securities.

Vikas Jain: Sir, my first question is with respect to the demand trends when we say that the demand has been sluggish. So is it a phenomena that we are witnessing across the price points or it is something where probably there's some down-trading that is happening or probably pressures for some lower price points brand or unorganized brand that is gaining market share or even they are also struggling. What's your colour on this?

Gautam Saraogi: No. I think, look, I think the demand has been sluggish across all segments. I don't think mass is doing any better than mass premium or premium. I think it's been sluggish everywhere. Of course, there are a couple of players who have done normally well in the mass segment, some large brands who have come up. But otherwise, I think the sluggishness, we see is across everywhere across all mass, mass premium. So that's why even this year, having a muted selling environment, our ASPs have still grown. If it was more to do with the mass products, our ASP actually would have come down.

Vikas Jain: Understood. Understood. But then if we talk about in terms of pricing, of course, while the ASP accounts for the pricing across our product portfolio. But for the core leggings part, is it that the pricing has actually remained stable? Or is it expected to remain stable? Or is some lower price point also that you are planning to introduce probably to cater?

Gautam Saraogi: No, no. So we are at about INR599 unit for leggings and Chudidar. And as had also mentioned earlier, we are in the bottom of the pyramid as far as pricing is concerned for the kind of product we have. And you see, you can find a legging for even INR199. But the product, the quality, everything is different, right? If you go into the market, you can find a INR199 products also. But our pricing for the kind of quality we believe, is very, very competitive. So we are at the bottom of the pyramid as far as pricing is concerned. And we don't see the price coming down, neither increasing.

Vikas Jain: Got it. Essentially, we are trying to say that if any change that might happen in FY '25 will be largely driven by product mix changes only?

Gautam Saraogi: Absolutely. We are not looking to increase prices anywhere. If the ASPs to be grown, it will be grown through product mix only.

Vikas Jain: From the current levels and given the product mix that we have at this point in time, how much is the expectation that this ASP can grow on a steady-state basis?

Gautam Saraogi: See, I mean, look, it's on a steady-state basis on some past track record we have seen, it grows at a Y-o-Y basis at about 5%. So our aspiration is that we are able to maintain at 4%, 5%, it will do well. And like I had also mentioned earlier, we don't want our ASPs crossing 1,000 we wanted it to be sub-1000 on a steady-state basis.

Moderator: The next question comes from the line of Manan Madlani from KamayaKya Wealth Management.

Manan Madlani: Yes. So I just want to know what how many SKUs we are having, if you can talk about just athleisure and Denim?

Gautam Saraogi: See, Denims would not be having too many SKUs. We have about 3 colours and 5 sizes. So I think Denims does not have to many SKUs. Overall SKUs we are closer to 4,000 plus. But denim as such, we have 3 colours and 5 sizes each. So I don't -- we don't have too much -- too many SKUs as far as Denims is concerned.

Manan Madlani: Okay. And will it be the same for next 1 to 2 years? Or any plans?

Gautam Saraogi: I mean, see, we might introduce a couple of colours, but the number of SKUs from a denim perspective is not going to dramatically increase.

Manan Madlani: Okay. But there will be some change in athleisure as you mentioned?

Gautam Saraogi: Yes, we are introducing some new products in athleisure in Q1. We are planning to introduce it by May and June. We are introducing over 3, 4 products. We are not introducing a range as such because we already had some athleisure products. 3, 4 new products we are introducing in a year. We're hopeful that we'll do well.

Manan Madlani: Okay. So premium you mentioned for this year, the projection for SSG 3% to 4% or let's say, 5% on a company level. But if you were to ask what would be the SSG for athleisure and this denim that number would be on?

Gautam Saraogi: See we are currently not tracking SSG at a product level for the newer category because these are very new categories of numbers will look misleading. At a company level, like I mentioned, see, our first target is to achieve a 2% to 3% of SSG in Q1. Once we reach that kind of a number in Q1, we'll be able to guide for the full year because we like is too early to ascertain how the demand for the full year is going to be.

Manan Madlani: Yes.. Fair enough. Yes. And the last question would be, are you planning to on-boarding any celebrity for this brand?

Gautam Saraogi: No, not at all. So for the kind of product and brand we have, we really don't require a celebrity. And our ad spends also this year has been around 2%. And we see ourselves having a similar type of a spend even in FY '25 of about 2%.

Moderator: The next question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: Just wondering like are there any plans to increase online salience, I still see this in a low single-digit number for some time now? And overall, most customers in retail across other players, moving towards an omnichannel experience. So they basically browse on the net, and then they come to the store or vice versa? And in any case, loyal customers are familiar with production sizes. Why do they need to come to the store? So any plans you can share on sniping of this online piece?

Gautam Saraogi: So Sameer, See, we definitely are putting in a lot of effort as far as online is concerned. We have a separate team who looks at digital and online. But this number what we are at about 3%. PRE-COVID, we were at about 1%. COVID increased it 1% to 3%. See, in India, largely full price sales are happening in the offline level. And especially for a product like us where we have so many colours sizes.

Customers prefer to buy it in person, they want the touch and feel of the product. So considering this, our online sales is always going to be low single digit or maybe eventually once the overall online ecosystem evolves from discount to full price sales. I think this will be from high single digit. So in the short-term future, our goal is to take this to about 5%. So today, that's about 3%. As we keep working on our omnichannel, this will go closer to 5%.

Sameer Gupta: But Gautam fine. I mean this discount sales I get, but that is mostly on third-party channels. Why can't you as a company come up with the Go Colours app or a little bit more of tech innovation. And you don't really need to do discounting over there, right?

Gautam Saraogi: No, I agree with you. I completely agree with you but the thing is majority of customers in the online world have the mindset of buying online for discounts. See the convenience shopping factor in the online world is still a very low percentage compared to the people buying for discount. After COVID, it has changed, that's why in our numbers also you are seeing that our numbers have gone from 1% to 3%. But as in the future, the mindset of the customer changes or buying more on full price, our number also increases.

Having said that, we are putting in a lot of effort. We are also having plans to come out with an app. We are putting a lot of effort on our online piece. But for it to become a significant contributor in revenues will take a very any long time in fact, we have done a survey also once among our existing customers. It was just about a year back, we did a survey and some of our loyal customers, we had sent out a survey asking whether you want to buy online, whether offline, we did the entire survey and the results that came out were very interesting that the customer says, look, I would prefer to go in person and I have a physical touch in the product before buying it.

So some survey results are very interesting.

Sameer Gupta: But is an app such a big deal as it requires a lot of effort or a lot of bandwidth, et cetera? Or I mean, its just not in priority right now?

Gautam Saraogi: See, we will definitely build an app. From a convenience factor, we will even give the app to the customers for you by putting it on the App Store and the Android app center. But we are not going to be pumping crazy amount of marketing dollars to promote the app. That is not what we are going to do. we are going to give the app, our loyal customers and customer base whenever they want to access the app from a delivery and ordering perspective, they can do it. So it's not going to be that expensive to develop or build the from our side.

Sameer Gupta: And there is no app right now. I mean even a bare basic small app...

Gautam Saraogi: No, we have a website which is doing well. And in this financial year, we'll come out with an app.

Sameer Gupta: so among the 2.9% sales, how much is via that website?

Gautam Saraogi: 1/3 would be from the website.

Sameer Gupta: Sorry, INR1 crores.?

Gautam Saraogi: 1/3 of the 3% would be from our website.

Moderator: The next question is from the line of Rajiv from DAM Capital.

Rajiv Bharati: Can you help with the -- let's say, if you have month-wise like-for-like -- just wanted to gauge whether have you seen any improvement in, let's say, latter part of the quarter?

Gautam Saraogi: Actually yes, Rajiv is very surprised. I'll tell you. So in Q4, Jan and Feb like-to-like were negative. March was very good. So see, I tracked like-to-like month-wise, but it does not help. It's actually best looking it as a quarter.

Rajiv Bharati: Sure. No. No, what I'm saying is because yesterday only, I mean another LFS partner of yours has called out that March was very good, and April also they sounded very confident. So I was wondering, are we seeing some up move, let's say, latter part of this quarter and then in April as well?

Gautam Saraogi: See, April has been April, I wouldn't say it's great. April has been decent. See, April definitely was higher than March as an individual month. On a month-on-month basis, April did better than March for sure, -- but when I compare with April versus last year, it's been decent. I wouldn't say great. But for me to really evaluate how the SSG has been, we'll have to see the full quarter. But if I have to gauge our April end, April has definitely been better than March on a month-on-month basis.

Rajiv Bharati: Sure. And with regard to, I think, Sameer's first question on underutilization of these offer by the LFS partners. How does it I mean how does it impact, let's say, the full price sell-through in the subsequent quarters? Does it impact at all?

Gautam Saraogi: No, it doesn't. See the full price sales ratio, what is for us very much standardized. See, this discount with the LFS partners also is actually not at a product level. What happens in most LFS partners, they run bill level discount. So for example, buy 2 get 30% off or buy 3 get 1,000 GB. So that basket not only has our product, but it also has the products of other brands. So it does not really impact the full price ratio of our individual brand. So in a year, what happens is with the LFS partner, we usually commit about 10%. So last year was more than 10%. So we got credit note from the LFS partner. This year, it has been lower than 10% so we got the credit for the balance.

Rajiv Bharati: Okay. Great. And the store closure bit, are we done with it? Or there is still some wastage left.

Gautam Saraogi: I mean, in this 23, 13 the stores which were loss making and these are the old COVID stores. And 10 stores where there were multiple reasons, which had necessarily nothing to do with loss making. Those 10 stores are some of the airport stores, which are not adding any mileage to us because certain terminals, the passenger traffic has come down dramatically, so we took a call. Like I'll give you an example. We had a store in T1 Mumbai. Now that store was there in T1 on the ground floor. The passenger traffic was good, but the store was too small. So it was not able to perform to its potential, and it was not adding mileage. So we took a call on that store.

So certain airport stores and kiosks we shut for strategic reasons, which is around 10 stores, but those loss-making stores were actually 13. So in the coming year, I see the loss-making store closure would be low single digit, like how it was in the previous year.

Rajiv Bharati: Sure. And you had called out that your ASP would increase to INR 1,000 in the previous quarter, right? Do you have a, let's say, year or timeline in mind in terms of when do you get there?

Gautam Saraogi: For it to go close to INR1,000, it will take a long time. See, our idea is to grow our ASP by 5% on a Y-o-Y basis.

Rajiv Bharati: Sure. Sure.

Gautam Saraogi: And to any ASP to drive by product mix takes a very long time because we don't do price hikes. So for it to go closer to INR1,000will take some decent amount of time.

Rajiv Bharati: So in your Slide 12 or 12, right? And you have mentioned that 85.3% of our products are retail over INR 1049 what was this number, let's say, 2, 3 years back?

Gautam Saraogi: It would have been -- I would say, I don't have it handy what it was 2 years back, but I remember pre-COVID, it was close to 90%

Rajiv Bharati: Okay. Okay. Sure. And then this...

Gautam Saraogi: I'll share the 2 years back number, I'll share it to the offline. I'm not having it handy, I'll share with you offline, the minute I get it.

Rajiv Bharati: Sure. No, that's fine. On this CapEx number, I mean, for the last 2 years, consistently, it has been going up. And you mentioned about the warehouse as well. Ideally, it should be like INR1.4 million per store plus or minus, right? And now it is trending towards INR4 million.

Gautam Saraogi: Actually what has happened also, Rajiv, the cost of building a store also has gone up now. See what we are seeing now, it takes the CapEx for the store takes about INR17 lakhs or INR18 lakhs. The cost of CapEx also in the last 18 months has gone up significantly. So this increase of CapEx in our cash flow is a combination of many reasons. It's -- obviously, we've done a little bit equipment buying in the warehouse and slight extension we're doing for that. The CapEx cost has gone up some stores we have renovated, come to we had relocated, then we had 84 net additions. So it's a combination of many reasons why the CapEx has gone up.

Rajiv Bharati: So outside of this, let's say, outside of, let's say, INR1.7 million or, let's say, INR1.9 million per store you take. Outside of that, what is the maintenance CapEx we just for modelling purpose, we should pencil in?

Gautam Saraogi: Very little, very little for us. Any repair and maintenance at a store level we book it as P&L expense. It does not get capitalized. It does not -- it's absorbed in the P&L, any repairs and maintenance we do at a store level. So only if a store is getting renovated then only the new store interior gets capitalized and the older stores materials are written off in the field. In an ongoing store, if there are any repairs and maintenance, it's booked in the P&L as an expense line item.

Moderator: We have the next question from the line of Priyank Chheda from Vallum Capital.

Priyank Chheda: Gautam, you have been kind enough in explaining the toughness of the market over the last 4 quarters, but I would like to again reflect that to the 0% SSSG for the full year. And it has been very unique where excluding COVID, we used to grow at double digits, right? And then we position ourselves into the bottom of pyramid where the consumer seldom thinks about to spend INR599, INR699 Leggings. And on the other hand, we are seeing consumables growing at 30%, 40%, right? And this is at the time when the casual an office where Kurtis have seen a mass adoption. So what is the actual risk that is hitting our SSSG growth. Maybe you can reflect back to the store addition strategy or would it be -- yes?

Gautam Saraogi: Yes, I'll tell you, it's a valid question. Priyank, I'm not worried too much from a market share or market gain perspective. It's not that I'm losing market share to my competitors. See today, we track 2 types of data. We track SCSG, and we track SSSG. Why do I track SSSG. I track SSSG purely from a cost perspective. One of the biggest risks of new business is that if your SSG continues to keep declining over years, your margins in the P&L will start falling. It will take – a hit. So for us, we look at SSSG from a cost perspective and we look at SCSG from a market share and sales perspective.

So if I take the last 1 year, even in a tough environment, our SCSG has been actually at about 10.2%. And our volume SCSG has been at about 6.5%. So when I look at these 2 data points, I'm very comforted that my business is doing well from a sales perspective from a hygiene perspective. Customers are coming to me, I'm not losing market share to competitors. So from a sales perspective, when I look at my SCSG data, it comforts me. Yes, SSSG is definitely concerning from a cost perspective.

So when we grow in clusters also, we keep in mind that we should at least deliver 5% to 6% of SSSG so that the increase in cost and the increase in revenue are in line.

Priyank Chheda: Right. So in case SSSG does not revive back to 5%, 6%. What would be the change in the strategy required from Go Fashion's end because we can't chase the incremental sales at a higher cost, which is SCSG difference to SSSG, right? So what is the exact strategy required?

Gautam Saraogi: It's a good question. And I'll explain I am very confident that this SSG number will slowly and gradually get to that 5%, 6% number. It will not happen overnight, it will not happen over one quarter. Slowly at steadily, it will start increasing and coming back to the 5%, 6% number. If in the case of scenario, if it doesn't, which I don't think will happen. But if it doesn't, then we will have to control our growth in clusters and grow more while in terms of adding more cities. That will be a different approach. If in the situation that happens.

Priyank Chheda: And the growth focus outside the clusters would be what?

Gautam Saraogi: No, In today's situation, we are going at a cluster base. Tomorrow, we will be doing a limited cluster base and we will add in more number of stores in newer city. So that approach will change. But if that will happen only in the case where my SSSG does not recover it's a decision for us to take at that point of time. As of now, how things are and I am seeing in the market, I'm very confident that the numbers will come back.

Priyank Chheda: Perfect. And my second question is, again, on a very strategic thoughts where do you see any kind of a risk coming out because of the larger brands selling Co-Ord sets or full kurti sets wherein the trend of the pants or the leggings itself becomes a risk. Any thoughts on that would be great?

Gautam Saraogi: See I don't see that as a risk because Co-Ord sets and kurti sets are usually occasion-based buying. For every day wear the lady prefers to buy the bottom and top the separately. So I don't see a situation where if we become a market where everything is sold in Co-Ords. It will not happen. Co-Ords is mostly for occasion buying. So I don't think that's going to have a very big impact on that.

Priyank Chheda: The strategic question why I thought was is that a reason why we are pivoting towards athleisure kind of wear, or are we planning to add any other kind of SKU categories horizontally?

Gautam Saraogi: No, no, Priyank. See The thing is we are a bottom wear brand. Now today, as far as bottom wear is concerned, the customer should be able to find any type of bottom wear at our store level. Now athleisure also, what we are adding, we are adding 3,4 styles of athleisure bottom, not too many. So our positioning and strategy is that we have a one-stop-shop for all the ladies bottom wear. So whatever products we introduced, we introduced it from that umbrella of thought.

Priyank Chheda: Right. And when we add these new products, which is at least as denims, lounge wear which are the products where these new products gets replaced and which would be the existing products, which the shelf space would go out would be helpful?

Gautam Saraogi: For us when we're introducing a new product, Priyank, we introduce it in very small quantities across our top stores. slowly what happens over a period of time, as the sales of those new SKUs keeps increasing, the sourcing and the inventory quantity increases. Organically, at that point of time, some colours where the sales are depleting. So these products will replace those colours, which are going out of the roster. So it inter balances within its self is what I'm trying to tell you. So it's not a fine day that, okay, I'm bringing of 2 active wear products and I have decided to take out 4 colours, to accommodate these 2 active wear products. It does not work like that.

Initially, when I'm introducing the smaller quality, I don't have to pull out any product from an existing shelf. As the sale for the newer product increases and some older colours sales are depleting, it will just replace them organically and automatically.

Priyank Chheda: Sure. That's helpful. Just the last, again, a clarification. The total SKUs of 4,000 SKUs that we have would be divided across how many sizes and colours if that's handy?

Gautam Saraogi: See, it varies. Our highest colour is what we have is close to 100 colours, and we have about 6 sizes. That's in 1 product. We have some umpteen number of colours in different products. But the highest colours we have for a product is about 100 colours and 6 to 7 sizes, yes.

Moderator: The next question is from the line of Dave Shah from DAM Capital.

Dave Shah: Can you share with us the absolute volume growth for the quarter and the full year, also the volume SSSG?

Gautam Saraogi: Yes. So the volume SSSG for Q4 is minus 1.45%, the full year SSSG volume is minus 3.46%. And the overall company volume for the full year is about 9%.

Moderator: Ladies and gentlemen, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Gautam Saraogi: I'd like to thank everyone for being part of this call. We hope we've answered your questions. If you need more information, please feel free to contact Mr. Deven Dhruva from SGA, our Investor Relations Advisor. Thank you.

Moderator: Thank you. On behalf of Go Fashion (India) Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.