Date: February 04, 2026

The Manager
Listing Department
BSE Limited,
Phiroze JeeJeeBhoy Towers,
Dalal Street, Mumbai – 400001
Maharashtra, India
Scrip code: 543426

The Manager
Listing Department
National Stock Exchange of India Limited,
"Exchange Plaza", 5th Floor, Plot No. C/1,
G Block, Bandra – Kurla Complex, Bandra
Mumbai-400051, Maharashtra, India
Symbol: METROBRAND

Subject: **Transcript of the Investor Call on Unaudited Financial Results (Consolidated and Standalone) for the quarter and nine months ended December 31, 2025.**

Ref: **Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Dear Sir/Madam,

In continuation of our letters dated January 20, 2026 and January 28, 2026, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and nine months ended December 31, 2025, conducted after the meeting of Board of Directors held on January 27, 2026, for your information and records.

The above information is also available on the website of the Company at https://metrobrands.com/stock-exchange-disclosures.

Yours faithfully,

For Metro Brands Limited,

DEEPA SOOD Digitally signed by DEEPA SOOD Date: 2026.02.04 10:54:48 +05'30'

Deepa Sood
(SVP- Legal, Company Secretary & Compliance Officer)
Membership No: 16019

Encl. as above.

"Metro Brands Limited
Q3 FY26 Earnings Conference Call"
January 28, 2026

MANAGEMENT:	**MR. RAFIQUE MALIK – CHAIRMAN – METRO BRANDS LIMITED** **MS. FARAH MALIK BHANJI – MANAGING DIRECTOR – METRO BRANDS LIMITED** **MR. NISSAN JOSEPH – CHIEF EXECUTIVE OFFICER – METRO BRANDS LIMITED** **MR. KAUSHAL PAREKH – CHIEF FINANCIAL OFFICER – METRO BRANDS LIMITED** **MR. MOHIT DHANJAL – CHIEF OPERATING OFFICER – METRO BRANDS LIMITED**
MODERATOR:	**MR. TEJAS SHAH – AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day, and welcome to the Metro Brands Limited Q3 FY26 Earnings Conference Call hosted by Avendus Spark. The management is today represented by Mr. Rafique Malik, Chairman; Ms. Farah Malik Bhanji, Managing Director; Mr. Nissan Joseph, Chief Executive Officer; Mr. Kaushal Parekh, Chief Financial Officer; Mr Mohit Dhanjal, Chief Operating Officer.

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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tejas Shah from Avendus Spark. Thank you, and over to you, sir.

Tejas Shah: Thank you, Muskan. Good afternoon all. On behalf of Avendus Spark, I welcome you all to the 3Q FY '26 Earnings Call of Metro Brands. I'll now hand over the call to Mr. Nissan for the opening remarks, post which we'll open the floor for Q&A. Over to you, Nissan.

Nissan Joseph: Thanks, Tejas. Good afternoon. Thank you all for joining, and welcome to our Q3 FY '26 Earnings Call. As you are aware, we posted a 15% growth in our stand-alone business and our consolidated business. It was good to have a quarter without any unusual events or any offset from the year before. The key Diwali and Wedding season performed well and we are pleased to see that the traffic stays steady, both in our online and offline channels.

Despite a slightly early effective Puja's season that fell into Q2, I'm pleased to see that sales did come through with a strong mid-teen percentage growth, and we crossed INR800 crores mark for the first time on a consolidated basis. The GST benefits continue to help specific parts of our business and our ongoing focus on premium products kept our sales of over INR3,000 at a 55% share of business.

I'm also pleased to see the consistent growth from our multiple e-com channels with our digital commerce business as it grew 24% and now reached a 12% share of our total revenues. On the EBITDA side, we grew by 16% for the standalone and 18% for the consolidated business, and we delivered a 33% EBITDA for both.

On the PAT front, IndAS accounting and a INR3.3 crores accrual for the new proposed Labour Code from November 2025 dampened our PAT, which is offset by a onetime tax charge in the same quarter of the previous year. Nonetheless, our PAT grew by 33%, and we achieved 16% for the quarter for both the standalone and consolidated business.

We opened 35 new stores this quarter and closed 11, bringing our total new stores this fiscal year to over 100. Additionally, we are excited to announce the launch of 3 new MetroActiv stores. These stores are designed for athletic performance seekers, featuring brands like Nike, New Balance, ASICS and FILA, along with workout apparel to provide a complete experience.

We'll continue to invest in and refine this concept over the coming quarters. Meanwhile, our Foot Locker stores will continue to cater to lifestyle sneaker fans, which is a different customer segment than the performance sneakers. As I mentioned on our previous call, our new Clarks partnership is off to a great start, and we plan on opening Clarks stores around Q3 of this coming fiscal year.

In closing, I'm pleased to see our business improving steadily and growing with double-digit increases and more importantly, our key metrics of EBITDA and PAT staying consistent to our guidance, while we continue to invest in marketing initiatives and a significant amount in our new stores. Our differentiated banners, each with the runway for growth positions us well to cater to the complete footwear wardrobe of the Indian consumer.

With that, I would like to turn the call back to the operator and open it up to Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Gaurav Jogani from JM Financial. Please go ahead.

Gaurav Jogani: Thank you for the opportunity and congratulations on the strong set of numbers. Nissan, we have been seeing a slowdown across most of the discretionary consumption in Q3 also because of early Pujo and early festive that has occurred in Q2, but you completely are defying the trend. So what has really helped you in this? And how confident are you of sustaining these trends going like this?

Nissan Joseph: Well, I think the evidence is in the numbers that we've now had our third quarter of double-digit growth. So we see business trajectory headed the right way. There's a lot of initiatives that we put in place in almost all of our banners to see how we can continue that growth trend. We don't see anything significantly one way or the other that should dampen this or a massive tailwind coming our way necessarily either. As always, we just see consistent growth happening, and we hope to see these numbers continue. We see no reason for these numbers not to stay in the range that we've always guided to.

Gaurav Jogani: And sir, one of the issues in the past for us had been the store openings, the stores openings have also really picked up. So any guidance or anything that you can guide us towards the store opening, can this be the new normal in terms of store opening? And in addition, with the new formats also coming in, will there be any revision in the guidance in terms of the store opening that you gave in the past?

Nissan Joseph: So first of all, I would like to point out that we've invested in opening up 6 Foot Locker stores and 3 MetroActiv stores. That's our commitment to stay relevant as a footwear retailer to the Indian consumer, right? So it's not like we're hesitant at all to invest in new stores. And as you know, all new store concepts have a gestation period for it to get up and running. And we're happy to do that, and we see that as necessity for growth. That's number one.

Number two, we will continue to open as many stores as makes sense. Fortunately, Gaurav, we're not capital starved in any way to do that. We want to make sure that we open stores for profitability. We open stores for growth. We open stores to capitalize on market and market share, and we are not going to be driven by a fixated number. I think our results speak for itself that as and when time comes, we do accelerate growth when we see the right opportunity.

Gaurav Jogani: Sure. And just one last question for Kaushal in terms of the accounting bit. Kaushal this time around there will be absolute depreciation, if you look at it, as hardly increased on a Q-o-Q basis and the other income has also dipped this time around and also the finances. So anything to read on these trends, especially the other income because it has dipped quite sharply in Q3?

Kaushal Parekh: Gaurav, you are right in terms of other income, but this is purely the effect of payout of special dividend that happened in Q4 of last financial year. In the first half, although our treasury was lower by INR450 crores, but we saw benefits of fall in interest rates that happened in H1 of this financial year.

So if you see for entire 9 months in absolute amount, our treasury income is still higher than last year, though at a much lower investable surplus pace. So that's -- this quarter vis-a-vis Q3 of last year, broadly, return in terms of percentage has been same. The delta is purely on account of lower treasury funds, post payout of special dividends.

Gaurav Jogani: And just on the finance cost (inaudible). Because there are multiple store openings, the (inadudible) has also happened. So ideally, because this finance cost will also have an element of the finance cost, but still it has gone down. So anything to read there?

Kaushal Parekh: No. So if you're comparing you said last quarter, if you remember, we had mentioned that in that particular quarter, we opened 4 Foot Locker stores. And hence, absolute hit on account of IndAS was higher in Q2 as compared to, say, Q1 or, say, when you compare this 9 months as a whole. If you see 9 months versus 9 months, our notional cost on account of IndAS is almost close to about INR39 crores, INR40 crores versus INR28 crores, INR29 crores last year.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: I wanted to better understand this growth improvement from 11% in Q2 to 15% in Q3. So the main aspect, right? So in terms of revenue per square feet, we were flat in Q2, we are flat in Q3. Our omni-channel growth was about 30% in Q2, this time around it is 25%. So what exactly has driven this growth improvement.

So I guess within the core retail aspects, the performance is more or less in line with Q2. In addition, we report these channel-wise revenue, that indicates that the RM sales that we do plus some subsidiary sales have near doubled on a combined basis. So also, if you could comment on the sustainability of growth in these segments?

Nissan Joseph: All right. Devanshu, first things first, while you refer to a flat square foot growth, it is disguised because we opened up 100 stores this year, right? And new stores seldom come in at the same rate of sales as your base stores do. So 10% of our chain is actually that was new came in below. So the fact that we are flat to last year is a sign that we're actually doing well in our existing doors to maintain and keep that cropped up. So that's number one, right?

Number two, we also have zero wedding days in January this year. So we should see that impact in December, and that should have affected our sales in December. And while I'm not going to single out a single month, it didn't have an impact to us, not because it wasn't an impact, but it was because we were able to mitigate it through our performance of our regular products and what we're doing out there, right?

There are no extraordinary subsidiary sales. There is no sales that are hidden in there. These are all our stores performing, getting better at performing both at an SSG level, both at a square foot level, though you won't see that at the total numbers. Overall performance has started to improve, and that's the bottom line to it.

Kaushal Parekh: Devanshu, just wanted to clarify on the first point on sales per square feet, and this is for everyone. Our formula is very simple. We are dividing total sales by total square feet-age for the entire company at the end of the period. So although for all the stores that we opened in current year, we might just have 4, 5 months of sales coming in, in this financial year, but the denominator is full, entire square footage. We're not using average here.

Devanshu Bansal: No, so Kaushal my question was a growth pickup between Q2 and Q3, right? So obviously, you've added stores, that 100 stores on an LTM basis was true for Q2 also, and that is true for Q3 also. But in Q3, our growth was 11%. And in Q3 -- in Q2 our growth was 11% and in Q3 our growth is 15%. So ideally when there is no pickup in revenue per square feet in both the quarters, and then in online channel, omni-channel also, we reported 30% growth in Q2 and this time around it is 25%, so I just wanted the bridge as in between Q2 and Q3, what has led to this improvement?

Nissan Joseph: Well, yes, anchoring -- you're anchoring what you're saying, Devanshu on sales per square foot, right? And that's the entire anchor that you're basing it on. It's obvious that we are having comp store growth. We are having new store growth as well, but we're having comp store growth.

So you cannot hinge it on per square foot sales when as Kaushal mentioned, if I opened this store at the very last day of the quarter, we're taking all year revenue, dividing it by that square footage, right? And all quarter revenue and dividing it by that quarter. So it's always going to be a little bit muted if you open new stores. I think your entire formula would be reversed if we just did it on a comparable store basis, which as you know we don't disclose. But I think you should be able to infer that quite easily.

Devanshu Bansal: I'll discuss this offline. The second play was -- the second question was on sports and athleisure space. So there is new player Agilitas, who has deep funding, manufacturing capabilities. There are celebrity endorsements as well and they have recently come up with a unique format like SportsYard in Bangalore.

While I agree that we play across the consumer needs for fashion, comfort, functional, et cetera, what our salience towards this particular category is currently lower. So how are we sort of working towards improving the internal agility so that our portfolio salience is also aligned to the evolving needs of the consumers?

Nissan Joseph: So first of all, I think the market size for athletic is big today, both for performance and for fashion, and I think it's going to continue to grow. So that's number one. So we're not talking about a static or a shrinking market, we're actually talking on the contrary growing market. That's number one.

Number two, what we are our retailers first and foremost, right? And if you notice the concept of the Foot Locker and MetroActiv, they are retail concepts. These concepts carry brands that are in that sports space to create that salience for themselves. And then we capitalize on it by giving them an avenue to sell and reach different parts of India, different consumers in India.

So its not necessarily for us to have that, where it is of utmost necessary for us is in the FILA business. We have to have the competence in the FILA business. We have invested heavily in design studios. Have we been a little set back on FILA because of the BIS norm. Absolutely. Do I believe that we've got all the right things in place to capitalize on that growth, absolutely there, too.

So you've got to look at it holistically and as opposed to -- I hope there's many players that come into this space because the space is huge and the more players that come into it, we actually increase the size of the market more than you realized. So it is something that we're very good at, which is a retailing part of it, which all said and done, every brand comes to life only because it has an amazing retail presence.

So I think we got -- it's not like we're missing the entire formula here. There are bits and pieces we don't have, specifically for our FILA business that we're growing, that we've invested. We have a design office in China. We have design teams here. We have marketing stack. We have agencies working on it. So it is putting that ecosystem together.

Devanshu Bansal: No, really encouraging besides just that the BIS-related challenges are just getting extended quarter-by-quarter. So that reflection is still not happening. So that was the main concern here?

Nissan Joseph: What is being extended quarter-by-quarter?

Devanshu Bansal: The BIS-related challenges.

Nissan Joseph: No, because we work seasons out, right? So we don't -- in that business, you're not working on a next-day delivery program. We have to quite simply put, we have to buy componentry from around the world and assemble them in India, some of which there isn't the technical expertise to do so. So there are some obstacles to it, absolutely, more than just a BIS reasons, but it is a challenge. And we're okay with that because we're here for the long run with FILA.

Devanshu Bansal: Sure. And just couple of bookkeeping questions. The store closures were a bit higher in Q3. Is this a one-off or are we making some strategic portfolio corrections and disclosures can continue in the next few quarters as well? And secondly, there must be some loss related to these write-offs. So then which light -- in which line item does this get recognized?

Kaushal Parekh: On first question on store closure, Devanshu, nothing much to read about. If you see overall store closures for 9 months, it's around 18 on a base of almost 1,000 stores, it is still up 2% and we don't expect our store closures to change significantly from here on. Broadly, every year, it would be in that range of around 2% to 3%, which is -- there is a basic cleanup that we keep doing every year. In terms of your second question on loss related to store closures, this will all go into other expense line items.

Devanshu Bansal: Is the amount significant Kaushal, or can you call that out for this quarter maybe?

Kaushal Parekh: No, it's not significant. It's not material. Otherwise, I would have called it as I did for other expenses.

Devanshu Bansal: Sure. And last question from my end. From a pre-IndAS PAT margin that you've reported, the difference is 1.5% for 9 months. But for Q3, the difference is 1.1%. So going forward, what is the run rate to go ahead with. And also placing a request, if you can consider sharing the detailed pre-IND AS P&L like most other retail companies do in the listed space?

Kaushal Parekh: On an ongoing basis, I think it should be around at 1.2%, 1.3%. YTD, that percentage is higher because, as you remember in Q2, we opened 4 Foot Locker stores. So whenever we open the big size stores where the entry periods are slightly higher, because the stores are higher and -- are bigger and it takes more time for -- in the fit out of the store. That's why you get that higher hit. If you take Q2 exceptional get on account of opening those 4, 5 Foot Locker stores, broadly, it should be in that range of around 1.2% to 1.3%. Obviously, if we increase our store -- new store openings, it will move in line.

Devanshu Bansal: Sure. Kaushal, please consider that P&L requests. So if you can provide a detailed P&L across line items, it would be very helpful to better analyze your performance.

Kaushal Parekh: Sure, we will evaluate.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from Ikigai Asset. Please go ahead.

Rahul Agarwal: This is Rahul from Ikigai Asset. So just two questions for Kaushal. Firstly, just on the top line, right? I mean positive surprise on the growth side of it, the incremental color on SSGs or bill cuts average order value will really help just to understand the volume and pricing bit. If you could just throw some more light in terms of how are the cohorts looking across India and across categories that will help. That's question number one.

Question two was on the inventory health. Last quarter, we were about INR785 crores of inventory. If you could throw some light on how is that moving into December? And how do you see that settling down over the course of the year? And thirdly, just as a bookkeeping question. Just wanted to know the exact square foot area you've used to calculate the revenue per feet question. Those were my three questions?

Kaushal Parekh: Rahul, on your first question on top line, on a medium- to long-term scale, we have always guided that our average CAGR should be around 15%. And broadly, if I could give you a back of the envelope calculation as to how we reach that, it's basically broken into three parts. The first one being like-to-like growth broadly in that mid- to high single-digit range.

Every year, if we open, say, 100 stores on a base of 1,000 that is about 10%. That 10% is expected to give you half revenue for the first year in which you open, so that is another 5%. And then the last one-third is impact of annualization for the stores that we opened last year, which will have full 12 months revenue this year.

So broadly, that's the breakup. So when you see a number, you would broadly be able to gauge as to what particular quadrant has performed. Though we don't give specific numbers, but we give enough details to sort of gauge in terms of the overall top line. With respect to inventory, as of December, we have seen slight buildup of inventory, which is in line with the season, Q3 being the season, and also considering our store opening plan. So broadly in line, nothing much. We don't see anything abnormal there, broadly in line with what we saw -- what we see year-on-year.

Rahul Agarwal: Got it. And just a bookkeeping question on the exact square footage you've used to calculate the revenue per square feet, please?

Kaushal Parekh: It is 13,90,000-odd square feet. And sales per square feet, we only take store revenue.

Rahul Agarwal: Got it. That's the stand-alone store revenue, right?

Kaushal Parekh: Overall store revenue. And that is something that I was trying to explain that even if we open stores, say, on last day of December, we will not have anything in top line, but what -- the denominator will have square footage of that particular store.

Rahul Agarwal: Got it. Thank you so much and best wishes to surpass the 1,000 store milestone next quarter. Thank you.

Moderator: Thank you. The next question is from the line of Sameer Gupta from IIFL Capital. Please go ahead.

Sameer Gupta: I'll just have two questions. Firstly, I understand there is some benefit of GST reduction this quarter. And last time around, you had pointed out that 40% of Metro Mochi and 90% of Walkway typically will benefit due to the GST cut. Now if you could help us understand this quarter, if you just gross up the sales, let's say, you include GST and you calculate growth, what would that number be?

Kaushal Parekh: So broadly, if we take that 40%, it would be about 3% higher, broadly. For the whole business.

Sameer Gupta: Lower -- 3% lower, you mean the growth?

Nissan Joseph: **Gross** would be 3% higher.

Kaushal Parekh: Higher. There is no impact on the net sales, Sameer, because the entire GST amount is now broken up into two parts. One is GST that we pay, and remaining is been offered as discount to the customers.

Nissan Joseph: Sameer, we recognized gross sales lower. If GST was not there, we would have had gross sales that were 3% higher.

Sameer Gupta: Okay, let me rephrase my question. Let's say, in 3Q, you had a INR811 crores of sales. And in 3Q of the base, you had INR703 crores of sales. If I gross both up and then calculate the growth, which is 15% on net, what would this number be?

Nissan Joseph: I want to make sure I understand your question exactly correctly, right? So if you took last year's gross and this year's gross, what was the delta caused by the GST, right?

Sameer Gupta: No, I'm just interested in the total growth number, and how it will imply to the GST, yes?

Kaushal Parekh: Sameer, let me try and explain. On a net sales basis, that is what I was trying to explain you. On a net sales basis, there is no difference because earlier it was gross sales minus, say, 18% GST for simplification, right? That is how we were getting net sales. Right now, it is -- we are selling at MRP, offering discount to the customers for differential GST and the remaining GST has been paid to the government. So on a net sales basis, there is no difference at all between pre, post-GST numbers. And that is the number that you are seeing in the financials.

Sameer Gupta: I understand Kaushal. What basically I'm trying to understand is the what the consumer at the end of the day is paying, what is the growth in that number? Because ultimately, post 4 quarters, that is the sustainable number. This anomaly is because you're paying lesser GST to the government versus what you were paying last year?

Kaushal Parekh: So around 3% to 4% less is what the customer is paying on our entire portfolio. On specific sales, if it is below 2,000 -- if the item was -- with MRP was below INR1,000, the overall differential would be around 6%, 7% from a customer point of view. And if it was between INR2,500 to INR1,000, the differential would be somewhere in the range of 11%. So this is -- these are the percentages based on which customers would pay slightly lower.

Sameer Gupta: Got it. So it is suffice to say that on a consumer level, the growth will be somewhere in the ballpark of 12% versus the reported 15% that you have clocked?

Kaushal Parekh: No. That's what I'm trying to explain. On a net sales basis, there is no difference. Earlier, it was INR118 minus INR18 that was giving you a net sales of INR100. Right now, it is 11% discount, INR7 goes as GST and again, INR100 gets recorded as net sales. So on a net sales basis, there is no difference at all.

Sameer Gupta: But the consumer is paying 11% lesser, right? Because that 11% is now the discount?

Nissan Joseph: Correct. Sameer, that adds up to 3% on a company-wide basis.

Sameer Gupta: Got it, sir. That is really helpful. Second question is on Foot Locker. Now the commentary in the press release suggest that the expansion from here on would be measured. First of all, is this a correct interpretation? And would this mean a pause in Foot Locker store addition in the near term? And if at all, what can we expect for FY '27, '28, if any number you can give. And lastly, is it solely BIS, which is the constraining factor here?

Nissan Joseph: Yes. So thanks for asking that question because BIS is something that affects not only us, but also global companies that operate in India, right? Some of the best global companies are also dealing with it. Yes, it is primarily because of BIS that we've slowed the growth down. We haven't stopped the growth, but we slowed it down until we have visibility.

We were actually assured that by this quarter, the BIS issues will be resolved, which it hasn't been by the global brands. Now we're being told it would be Q4 of this year -I'm sorry, Q2 of next year before it will be resolved. So again, it's a wait and see, right? So we have visibility. It's hard for us to invest significant capex and also significant opex in getting these stores open. So we know that it has fully the inventory it needs.

Having said that, it's not like these stores are not doing great sales. They're just doing about 20%, 25% less than we would have anticipated, had we had the right product in these stores. So it's not like we're going to stop growing these stores at all, but we're going to be much more measured because you don't always get good real estate as and when you're ready and we want to make sure we don't miss on those opportunities.

And that's what I meant earlier on by saying we are investing in new stores despite the fact that it may not be profitable right away, especially these new concepts because of BIS mitigation issues.

Kaushal Parekh: Sameer, just to add, what we mean is we will not be aggressively scouting for space for Foot Locker. At the same time, if we get a good real estate property at a good rent, we'll more than -- we will be more than happy to go ahead and open up Foot Locker store.

Sameer Gupta: Got it. This is very, very clear, sir. Thank you very much for taking all these questions. And Nissan, best of luck congratulations on your reappointment.

Nissan Joseph: Thanks, Sameer.

Moderator: Thank you. The next question is from the line of Navani Naredi from Naredi Investments. Please go ahead.

Navani Naredi: Hello, am I audible?

Moderator: Yes, Ma'am.

Navani Naredi: Congratulations on the good set of results and thanks for the opportunity. So I just have one question. It's regarding, will we also be getting benefited from Indian Europe FTA. And yes, then how are we planning to tap this opportunity towards better monetization?

Nissan Joseph: So we don't see any benefits directly come to our business from the Indo-European FTA. However, I think it encourages our footwear manufacturing to keep investing and growing their capabilities, which, in the long run is always good for us because we source the vast amount of our goods from India. That's where we see the advantage, but that's a little bit more long term Navani.

Navani Naredi: And also on the MetroActiv, like why did you open the first store in Indore? I mean why not Delhi or Mumbai?

Nissan Joseph: Yes. So what we want to do is come up with a format that can cater to Tier 1, 2 cities, not so much the metro cities. And that's why we've opened up in stores like Indore and Jodhpur and Dehradun. Also, we want to use these places to really refine the concept, learn from the concept.

You don't want to do that in your metro cities from day one, right? So that's how we wanted to do it. And eventually, we think it's a great play for those kind of markets as well.

Navani Naredi: Yes, 100%. And even I appreciate that because I also feel this is a good strategy. Like usually, anybody would like to tap the metro cities first, but I think this is like underrated market when there is a lot of penetration which we can get from that market?

Nissan Joseph: Thank you.

Navani Naredi: So congratulations once again, and looking forward to meet you soon in the next quarter.

Moderator: The next question is from the line of Ankit Kedia from PhillipCapital.

Ankit Kedia: Sir, we have a format called Shoe Depot, which we started a couple of quarters back. Just wanted to know how we account for that. This is like a factory outlet, which I've seen in multiple cities. So how does the store -- all the brands are housed in this format. So how do we account for that? And what is the -- all the inventory which is left over for end of season sale is what do we sell in that format or how do we manufacture separate inventory for that store?

Nissan Joseph: So let me explain the concept and then Kaushal will walk you through some of the other questions you had. First of all, we do need outlets as any retailer does. Typically, retailers will have anywhere from 1 to -- 1 in every 10 stores to 1 in every 15 stores as an outlet to clear goods, right? So relying heavily on a very concentrated period of time, which we call the end of season sales in India, we would be good to have an output valve all year long.

So that's the first point. We have about 19 Metro and Mochi outlets and Crocs outlet stores. So it's not like we were not operating the outlets before. We were just never called out because we operated under the Metro banner or the Mochi banner or the Crocs banner. But from a real estate perspective, when you go rent a 1,000 square foot Metro, 1,000 square foot Mochi and a 500 square foot Crocs, you're not going to get as good a rental deal as if you rent 2,500 square feet and house all your brands in there. So that's number one.

So you're able to get some economies of scale on the rental side. Number two, it's not always that everybody has the same inventory problem. Sometimes Mochi may have a little bit more to get rid of, sometimes Metro may have a little bit more, sometimes it might be FILA that has a little bit more.

This gives us the flexibility to put in there what we needed to do to liquidate and perform its primary function, which is to liquidate product. So that's the reason for the concept. So Ankit I wanted to make sure we explained that because I don't think we've ever called that out. Today, we have 8 Shoe Depots operating today -- sorry, 7 operating today. That's -- just a little over -- the concept is only a little over a year old, but it actually replaces our other outlet stores.

Kaushal Parekh: And in terms of number, Ankit, it is currently being classified under Metro.

Ankit Kedia: Understood. My second question is on online traction do we manufacture separate inventory, low quality for the price points we are selling online or is it purely the liquidation channel for the store inventory, which is not getting sold?

Nissan Joseph: Well, it's a combination of both, right? So first of all, there are no low-quality products. I want to make that very clear. But you can achieve price points differently when you manufacture shoes. I mean it's not a question of quality, it might be a question of embellishments or the manufacturing method you use.

And we do create an online line of goods and that's exclusive to the ecommerce channel because we don't want it to create a dissonance with our in-line stores. But we also want to be able to cater to the eyeballs and the zip codes that e-commerce can penetrate too. So it's important for us to play in that area, not because we don't think we're serving the consumer well in the places where we have sourced.

But because we believe a disproportionate number of those sales are going to zip codes where we don't have a penetration or probably never will have a penetration for the foreseeable future. So that's why we play it that way. But it's not a discount game for us. It is not something that we just want to make sales at any cost. It has to make sense. It's got to also be with price points that don't, in any way, affect the stature of the Metro, the Mochi brand.

Ankit Kedia: Sure. And my last question is, if you look at the price point between INR1,500 and INR3,000 and lower than INR500 for this quarter, we have seen more than 100% growth in price points, which are lower than INR500. At the same time, growth in a price point between INR1,500 and INR3,000, the growth is single digit.

So Ideally, that price point should have grown the fastest given that the GST cut is maximum there and more footfalls would have dried there, your product would have become significantly cheaper for the consumer. So anything to read out these 2 price points from the consumer uptake?

Kaushal Parekh: Ankit, broadly, what we're seeing is the number of percentage has remained almost similar, 4% below INR500 versus last year. 8% between INR1,000 -- between INR500 to INR1,500, again, same as last year. We have seen a slight dip when you see Q3 numbers, between INR1,500 to INR3,000 and about INR3,000 has increased by 1%.

So broadly similar, nothing much to read into because all our formats are growing. Obviously, over a period of time, if we expand the Walkway slightly more aggressively, you might see some change, but that also won't be material because all other formats of ours are also growing simultaneously. So we don't see any significant impact there.

Ankit Kedia: Sure. And my last question is regarding the GST benefit, which you're passing on to the consumer. Now it's been nearly 4 months now. Does the discount still there or with the new product pricing coming in, with the new season being there, discounts will go up across the stores and now the new products are at a cheaper price point or we will keep some benefit with ourselves and -- or in some sort of categories, pass on the full benefit to the consumer. At the end level, how does the bill you expect now in the new season?

Kaushal Parekh: So Ankit, all the existing inventory wherever we have a GST benefit on account of rate rationalization discount continues. So please go and visit our store, buy something, you will see that discount on your invoice. This was on a lighter note. Second point, for all the new products that are getting added, we are evaluating what is the final GST that we had to pay to the government and accordingly, realigning our MRPs.

We believe in maintaining our markup and passing on benefits to the customer wherever we get, just to make sure that customer continues to see value at the price point at which the product is offered. So for all the new articles, we are revising our MRPs accordingly in line with the GST percentage reduction. And that's how we are taking this forward.

Nissan Joseph: Yes. But to be fair, we also have to keep an eye on our input costs, right? So if there are input cost increases, then we might use it as a way to mitigate some of those price increases. But it's a balance of things. But foundationally, anything that was manufactured before the date of the new GST will continue to get a discount in our stores until the very last shoes sold.

Ankit Kedia: Sure. That’s helpful, yes. Sure. Kaushal I will definitely go and buy something. Thank you.

Moderator: Thank you. The next question is from the line of Shraddha Kapadia from SMIFS Limited. Please go ahead.

Shraddha Kapadia: Hello. Am I audible?

Moderator: Yes, ma’am.

Shraddha Kapadia: Yes. Thank you so much for the opportunity and congratulations team, on a good set of numbers. So just continuing with the previous participant question on the digital and the ecommerce which is there. So currently, if we take a look then the digital contribution is approximately 12%. Is there any medium term targets for the e-commerce and the omni-channel mix?

Nissan Joseph: So it's not so much as a target for that mix. We want to make sure that it is a profitable business at all times, right? I think in healthy companies, it's always sub-20%. Healthy when I say, healthy I mean where they have good brands, good retail operations and customers understand their product.

I think the range can be anywhere between where we are today in 20%, but that's not necessarily a growth target we want to chase because we could get there tomorrow by discounting. But we don't want to do that. We will not do that. We want to create a business that's accretive, both to our sales, but also to our brand value.

Shraddha Kapadia: Also you could help me understand the margin differential between the e-com and the physical stores. Is there a huge differential?

Kaushal Parekh: There is a differential because obviously, we do use e-com as a liquidation channel also, apart from promoting full price sales, which primarily -- which is primarily driven through omni-channel sales that happen to our stores. So since discounts are offered online, incoming gross --

the reported gross margins, if you see at the division level would be slightly lower than gross margins that we report on an overall basis.

Shraddha Kapadia: Sure. Also if we take a look at current quarter, we have witnessed good EBITDA margin expansion. So is there any range which we should be considering going forward?

Nissan Joseph: I think 33% is a real good range, isn't it? I think we should -- it's one of those things that I would tell you that what we need to do is to ensure that we continue to provide value to our consumers, right? Are they operating leverages that we can get, potentially. But I think maintaining that number is not an easy task in itself. But we've done it quite consistently. We've guided to it, and I'm happy to say that we've hit our guidance almost every single time Shraddha.

Moderator: The next question is from the line of Gaurav Jogani from JM Financial.

Gaurav Jogani: I have just one question on the margin bit, what is the kind of drag that we're seeing on the margin because of the new ventures like FILA, Foot Locker or even MetroActiv because these are now under a gestation period, and they would be in certain losses or maybe at the level that will be profitable, but at corporate level could be losses. So if you can quantify the drag because of that?

Kaushal Parekh: So Gaurav, as we have informed earlier formats like Foot Locker, MetroActiv since we are largely dependent on third-party brands, almost like 90% of our revenue would come through third-party brands. And hence, our incoming margins there are lower as compared to margins that we report on an overall basis. So obviously, over a period of time as these grow, you will see some impact on our overall -- on our overall reported gross margins.

In terms of FILA, we had completed our liquidation last year itself. So in terms of FILA, we are not seeing any significant drag in our gross margins. We had also told that once this format sort of stabilizes, I'm talking about FILA here, we expect it to be at least equal, if not accretive to the gross margins that we are reporting currently in that 55% to 58% range.

Gaurav Jogani: So Kaushal, the thing was that I understand on a gross level, there will be difference. But I'm assuming that on the EBITDA level there would be some drag. And by drag, I mean, because we will be making lower profits. So is that an assumption right that as this business kind of scaled up, there is a scope for you to improve the EBITDA margins?

Nissan Joseph: Yes. No, it's a drag for a couple of reasons, Gaurav. One is that it is a new format. It takes a while for it to settle in. Number two, we're also investing heavily in the marketing of it. So those are things that start to taper off as the brand starts to -- as the concept starts to establish itself. So yes, going forward, it should have room for EBITDA improvements.

Kaushal Parekh: Having said that, Gaurav, as of now contribution from our new format, Foot Locker, MetroActiv, FILA is not significant. And hence, we don't expect a significant improvement in the margin guidance that we've always given. Gross margins in that range of 55% to 58% is what we are comfortable with. EBITDA in that 30% range and PAT in that 15% range is what we are guiding for medium to long term.

Gaurav Jogani: And Kaushal, just one last bit, the breakdown that you give in your ppt in terms of the in-store omni-channel, online and others. This time around, there is a decent amount of that we are seeing in the other segment. I think the contribution is 2% odd for this quarter and the H1 was just 1%. So is there something that has led to a recent INR25 crores kind of a number for the other bit, especially in this quarter?

Kaushal Parekh: It's not -- actually, at times, these numbers also change on account of decimal, so there could be that effect of decimal there. But we don't see any significant numbers being present there.

Moderator: The next question is from Saurabh Kundan from Goldman Sachs.

Saurabh Kundan: I just wanted to know, I wonder if you can quantify the volume growth over the last 3 quarters, let's say, 3 or 4 quarters, what has been a trend in volume growth?

Kaushal Parekh: So broadly, Saurabh, we have seen our ASPs go up by approximately 2.5%, 3%. We have reported overall 12% growth. So balance 9% is coming from volume, which will include both same-store as well as new store additions that happened during the year.

Saurabh Kundan: Understood. But if you could tell me what it was, let's say, in 2Q and what it was in 3Q on a Y-o-Y basis, the volume growth?

Kaushal Parekh: Our ASP growth, Saurabh has been in that range, pretty much, 2% to 3%. So for example, in Q2, our growth -- overall growth rate was around 12%. So take out 3% from there, and that's how you get the percentage. In this quarter, our overall growth is 15%. So if you take out 3%, 12% will be volume growth. So broadly in that range. Our ASPs growth has been largely consistent in that 2% to 3% range.

Moderator: The next question is from the line of Akhil Parekh from B&K Securities.

Akhil Parekh: Congrats on a good set of numbers. I just have one question pertaining to BIS, right? What is the typical inventory look like for a Foot Locker store because we have 6 stores. So ideally, on such a small base, we shouldn't be having a BIS-related issue, right? And if we have it for Foot Locker and FILA why don't we have that similar issue for our MetroActiv stores?

Nissan Joseph: I don't think we ever said it was a big drag on us. We were talking about why we would be -- in our aggressive growth plans for Foot Locker, right? So it wasn't we were going to stop growing Foot Locker. We just weren't going to be as aggressive about it, until we have clarity. To answer your question as to why we're concerned about it. It is only 20% of the sales, but it is a 20% of the high heat sales that create uniqueness, that creates a brand position for Foot Locker.

And why does it not affect everybody else except FILA and Foot Locker. Well, Foot Locker everybody in the world in athletic sports is affected, right? So FILA falls in that category. It doesn't affect the rest of our business because 85% to 90% of the goods we sell are sourced in India, right? So BIS does not apply loosely to us.

MetroActiv is also impacted by it because it's heavily relied on outside brands. However, they don't need as much high heat product all the time. They have a different set of products. So it may not impact our MetroActiv stores as much as it would impact Foot Locker stores. But to reiterate, as Kaushal said, these aren't significant parts of the business with significant to note is that Metro continues to invest knowing fully well that we may not get payback the very next day in some of these new concepts, but we're more than happy to grow our business for the long-term positioning of Metro brands.

Akhil Parekh: So this is helpful. So just a clarity, when you say high hit footwear, does it imply that the higher end of footwear is largely still imported, while relatively lower end – lower end below INR10,000 and below, that is kind of domestically procure?

Nissan Joseph: Yes. It's a lot of things. It's collaborations that are done in the one-off factories. But to answer your question loosely, it definitely is product over 10,000. I would even go as high as saying most of it falls well over INR15,000. That's the kind of product we're talking about.

Akhil Parekh: Got it. This is helpful and that’s all from my side. Thank you so much.

Moderator: Thank you. As that was the last question for the day. On behalf of Metro Brands Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.