SHOPPERS STOP

SEC/127/2024-25 January 20, 2025

To,

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001. **Stock Code : 532638**	National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051. **Stock Symbol : SHOPERSTOP**

Dear Sir / Madam,

Sub: Transcript of Earnings Conference Call – Q3 25

We refer to the analyst / investors conference call, on **Wednesday, January 15, 2025 11:00 a.m. IST** to discuss the corporate performance for the quarter and nine months ended December 31, 2024 ("Earnings Conference Call") and our letter in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ref. no. SEC/116/2024-25 dated January 09, 2025 intimating of the call and providing the link for joining the Earnings Conference Call.

In respect of the same and as required under Regulation 46, we are pleased to submit herewith the transcript of the said Earnings Conference Call. The same is simultaneously being made available on the website of the Company.

Kindly take the same on records.

Thank you.

Yours faithfully,
For **Shoppers Stop Limited**

Rakeshkumar Saini Digitally signed by Rakeshkumar Saini
Date: 2025.01.20 16:25:35 +05'30'

Rakeshkumar Saini
Vice President – Legal, CS & Compliance Officer
ACS No: 20257
Encl: aa

SHOPPERS STOP

"Shoppers Stop Limited

Q3 FY25 Analyst Conference Call"

January 15, 2025

SHOPPERS STOP

MANAGEMENT:	**Mr. Kavindra Mishra** – Customer Care Associate – Managing Director and Chief Executive Officer – Shoppers Stop Limited **Mr. Karunakaran Mohanasundaram** – Customer Care Associate – Chief Financial Officer – Shoppers Stop Limited
Moderator:	Ms. Mamta Samat – Perfect Relations Private Limited

Moderator: Ladies and gentlemen, good day, and welcome to the Shoppers Stop Limited's Q3 FY25 Analyst Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. Please note that this conference is being recorded. I now hand the conference over to Ms. Mamta Samat from Perfect Relations. Thank you, and over to you, ma'am.

Mamta Samat: Thank you, Sejal. Good morning, and thank you all for joining us on the Shoppers Stop Q3 FY25 Earnings Conference Call. Today, we have with us the senior management represented by Mr. Kavindra Mishra, Customer Care Associate, Managing Director and CEO, Mr. Karunakaran Mohanasundaram, Customer Care Associate, Chief Financial Officer. We will begin the call with the opening remarks from the management, after which we will have the forum open for the interactive Q&A session.

I must remind you that the discussion on today's earnings call may include certain forward-looking statements and must be viewed therefore in conjunction with the risks that the company faces. Please restrict your questions to the quarter performance and to strategic questions only. Housekeeping questions can be dealt with separately with the IR team.

I will now request Mr. Kavindra Mishra for the opening remarks. Thank you, and over to you, sir.

Kavindra Mishra: Thank you, Mamta and thank you, Sejal. Hi, good morning, and hope everyone is doing well. Though we have completed our fortnight, I wish everyone in the extended families a very happy new year.

As usual, this morning, we will cover the results of Q3 for this fiscal. I have with me Karuna, our CFO; JP, who is our FP&A lead; and Rohit who is IR lead with me. We'll also have Biju, our Beauty CEO; and Devang, our INTUNE lead at a later stage.

The investor presentation is available on our corporate website and on stock exchange website. I'm sure you would have read this. Specifically, I request you to go through a sneak peek view of our recently renovated Inorbit Mall an ultimate destination for the customers and marketing campaigns in this presentation. There was substantiate increase in premium quotient across all format of the stores. Overall, it has been a good quarter for Shoppers Stop.

Before I start setting the context, let me recall my statement, which I had made 2 quarters ago. I said that we will focus on premiumization and make our store as a top destination, focus on consumers' choice and profitability by rationalizing the private brands, expand beauty both in Shoppers and through our 100% subsidiary Global Beauty and have a seamless omnichannel journey for our customers.

As I take you through in the next 10 minutes, we'll observe all these strategies have started bearing results. Before I dwell in detail on Q3 results, let me start by dissecting the broader market landscape during the quarter gone by, after which I will touch upon our performance and strategic objectives going forward.

Overall, for retail, last quarter had been topsy turvy. The Festive setup for Diwali was exceptional, but November had slowness. December has been mixed for most of our peers. Inflation continues to be higher, which has tapered down in the last week. Discretionary spending has been lower and consumer sentiment, though it's better than last quarter, but it's nowhere near the pre-COVID or FY23 levels.

On an informal discussion with other peer members, there was a unanimous view that the last quarter was lower than expectations, particularly considering the slowness we had in the first 2 quarters.

Let me take you through the growth levers for the year. Firstly, our marketing campaigns delivered exceptional results. We have developed new IPs in our marketing campaigns, such as India Weds with Shoppers Stop, Winter Magic and the Big Fab Sale, and I'm proud to say that these campaigns significantly increased our revenue besides retention of customers. Specifically, on India Weds with Shoppers Stop, we have as of now, registered 16,500 customers, generating a sale of INR66 crores in the last 2 months with an average spend of INR40,000. There are other campaigns on Beauty, which I will talk about in detail in the beauty section.

Secondly, our premiumization journey. We started this journey 3 years back, and there has been consistent progress in the last 18 months. Our premiumization as a share of total revenue was circa 55% 2 years back, and it has now reached 64%. Let me elaborate in detail.

Through our partnerships, we started getting premium brands. And within these premium brands getting higher priced products as well. We launched Dockers, True Religion, Armani Exchange, GANT, GAS, Tommy and CK in the women's wear category, Birkenstock, BUGATTI in footwear, Tom Ford, RABANNE, LANCOME in Beauty, and many other brands across the categories. As you read the investor presentation, you can see the brand-wise details on Page #5.

In addition to apparel brands, we have increased our non-apparel contribution, particularly in the premiums category. Our share of premium non-apparel brand has increased from 64% to 72%. On Beauty, we have opened high-end beauty stores such as in QuestMall, Bangalore T2 Airport and 3 Armani stores as well. And along with initiatives such as coffee shops within our high street stores, gaming arcades, personal shoppers has led to increased premiumization for our customers in our stores.

From premiumization, I will move to beauty. Beauty has been a strategic pillar for several years now, and it has been outgrowing this fiscal. More importantly, our beauty offering in the department stores also increased in the last 2 years, contributing from 9.5% to 11%, increase of 150 bps. Our showstoppers campaign in November has been a runaway success. We had more than 200,000 makeover events contributing to 35% of our total revenue.

We have launched a number of brands such as Kiro, Stila, Prada Beauty, etcetera, and our fragrances were the star performers and they grew by around 14%. The other star in the Beauty business was our 100% subsidiary, Global SS beauty. We launched it a year back in full scale, and this is the second year in operation. We have nearly doubled the sales from INR39 crores last year to INR77 crores this year in Q3.

In addition to this, our EBITDA has grown by 4x in the quarter. For year-to-date, we have achieved sales of INR168 crores, which is again -- it's doubling from the last year. For the full year, we expect the Global SS Beauty business to achieve circa INR240 crores to INR250 crores of revenue and these sales were at distributor price to our retailers. The sales at customer prices will be circa INR400 crores plus, which we have built in the last 2 years. Presently, we are the second largest beauty distributor in India. And if we continue this growth, we intend to be the top beauty distributor in India in the next 2 years.

And lastly, I will discuss INTUNE. We have opened 9 stores and expect to open another 26 stores in Q4. Like our departmental stores, our opening of new stores was impacted by regulatory restrictions. During the quarter, INTUNE recorded INR63 crores and year-to-date, we have recorded INR138 crores of revenue. We are very close to breakeven store EBITDA level. I'm happy to say that the progress has been on track, and we are confident that our SS '25 full price sale sell-through would be higher than the present average.

Other than the growth levers above, we're also working on sustainable business strategies that work in the last quarter and they are expansion. We have opened 52 stores across all formats for the first 9 months and expect to open 32 stores in Q4.

Renovation. We successfully completed Malad and opened in December. In addition to this, we have completed the renovation of 6 stores during the year. We expect to renovate circa 10 stores next fiscal year. Every store addition has increased our premiumization journey with a number of new brands.

Capital allocation. Our capital allocation has been prudent with investments primarily in the departmental stores, Beauty and INTUNE, besides renovation of departmental stores.

Let me talk about the digital journey. We just moved to our new platform, Magento for Shoppers Stop.com, and we expect further improvisation in the next 2 months, including a new order management system in place.

With the launch of the latest version of ss.com app, our conversions have increased. In Beauty, we have also launched the same day delivery from 2 stores. This is an experiment, and we are working on this project. With all these initiatives, while the market has been muted, we delivered extraordinary results both in the top line and in the bottom line.

Our non-GAAP sales grew by 7% and EBITDA grew by 20%. Let me outline some of the KPIs. Sales grew by 7%. Non-app, which includes watches and handbags, continued to outperform with 22% and 18% like-for-like growth. Our customer entry in Q3 declined by 6%, primarily in November. Customer entry was almost flat in October and December.

The Beauty story and Beauty growth has been consistent. We opened 16 stores, 9 INTUNE, 6 Beauty, 1 departmental store during the quarter. Because of regulatory restrictions, especially in North, we were not able to open the stores as per the plan.

Our store KPIs, which includes the ASP, ATV and IPT, all of them have grown and the increase in ATV, which was at 6% was led by premiumization. Our EBITDA increased by 20% due to increased revenue, increased gross margins owing to lower obsolesce and optimized markdown in private brands and a strong control on costs.

Let me put some color on the First Citizen program. Our First Citizen Club contributed to 83% with 11.5 million First Citizen customers. Our repeat customers are now at 69% and it grew by 9%, vis-a-vis, last year. As we observed, the contribution from First Citizen customers has been continuously increasing from 78% to 83%.

Our premium Black Card customers contributed 17% mix with a whopping 28% growth over the previous year. The First Citizen Black Card renewals were at 71%. I'm delighted to share that we have the highest enrolment of First Citizen Black Card customers and Silver card customers during this quarter. And this is something which we continuously are looking at driving.

HomeStop. With new stores opening in Q2, HomeStop's sales has increased by 10%. The festive season combined with personal shoppers helped us to increase the overall sales to INR60 crores. We'll increase the presence by opening smaller HomeStop stores and curate the products towards premium category, which will augment our premiumization journey.

In my previous calls, we have spoken about personal shoppers and how they improvised on the premiumization journey. I'm happy to share that we have now 450 personal shoppers across 115 stores all over India. We have recruited more than 150 personal shoppers during the year. Our personal shopper contribution has also increased from 15% to 28%. The ATV of the personal shoppers continues to be 3x of the store ATV, substantiating our premiumization journey.

Now if I talk about the department formats, the department format, which is the Shoppers Stop grew by 8%. We had closed 7 departmental stores and resized 3 department stores during the year. The stores were closed, as they were making losses due to multiple factors and to improve productivity, we also resized 3 stores. If we had continued to operate those stores, our growth would have been circa 10% this quarter.

As I mentioned at the start, we have completed the state-of-the-art innovation of our Malad store. Looking at the initial responses and the very high growth in productivity, we are planning to have similar stores for our high -- similar model for our high productivity stores.

Now let me talk about the capex and capital and cash flow. We added 16 stores during the quarter. We have spent INR53 crores during the quarter on capital and deposits to these leases. Our working capital reduced by INR30 crores against the beginning of the year. And against last year, it has increased by INR29 crores, primarily due to increased volume and INTUNE. We have spent INR141 crores as capex and deposits year-to-date and expect to spend further INR90 crores in Q4.

Outlook. The wedding season will start from tomorrow post the new Hindu month. We expect the weddings to continue and I'm confident that our India Weds with Shoppers Stop campaign will further boost our sales and customers during the quarter. Our investments in experiential retailing will continue. Our USP is on our customer journey, which we have built over a period of time. And with every single thing which we are doing, it is getting strengthened.

In addition to Beauty retail, our Beauty distribution has stepped up the pace in the last 2 years, and we'll continue to invest in this business over the period of time.

Our investments in marketing will continue to sustain the loyalty levels. We will continue to have customer-centric personalized communication as well, which will help us to outgrow our KPIs.

On the cost, and I think it's very important. We are continuously rationalizing the cost. At the like-for-like level, the cost has increased just by or near 2%, and that's a testimony of the controls which we are trying to maintain at the cost level.

Lastly, with growth levers firing on all cylinders, besides mitigating some of the critical risks, we expect a decent Q4. At the start of -- in my last call, we had spoken that in H2, we will be close to a 5% like-for-like that was the guidance, and we stick to that number for the coming quarter as well.

I will conclude now and take the questions from all of you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankit Kedia from PhillipCapital.

Ankit Kedia: Congrats on good set of numbers. Just wanted to know on Shoppers Stop departmental stores, YTD we are still negative store count. So in quarter 4, while we have alluded, we'll open 6 stores, any store closures expected in quarter 4 and in FY26? How do you see the pipeline of store openings and store closures?

Kavindra Mishra: Thanks, Ankit. Thank you for the good feedback. So I think as we have spoken last time in the last call, getting and rationalizing the stores is one of the most important activities for us. I'm happy to share that I think we are more or less at the end of that cycle because we have taken exceptional efforts in Q3 to reduce the -- or to execute most of the closures which we wanted.

I see 6 stores opening in Q4. In the year FY26, we are looking anywhere between 12 to 15 stores opening as a new store count. As I mentioned, I think we are at the end of the cycle of rationalizing our stores, Ankit. So I don't see a lot of stores getting closed or rationalized in the coming year. I think we have done a lot of legwork in this quarter.

Ankit Kedia: Sir, any particular geography where the demand was not there, these stores were loss making and hence, the store closures have come? Could you give some color on now what type of stores have been closed? Were they on aging basis, last 5-year stores opened or previous the bigger stores, which we were rationalizing?

Kavindra Mishra: No, I think that what we are seeing is that in certain markets, when the markets shifts, right, then stand-alone stores at times are not able to drive that kind of a walk-in. And I think primarily, those are the kind of stores which we have looked at, looking at the market opportunity and then saying that, okay, we'll take a call.

In very few cases, we exit the market. For example, we exited the market in case of say, Agra, right? But otherwise, we don't exit the markets. Maybe we move it to a mall store, to that kind of a thing.

Ankit Kedia: Sure. My second question is on the Beauty business. While we have spoken a lot on premiumization, in Beauty predominantly, we are masstige or premium with Estee Lauder. Despite that, our growth in Beauty has only been 3%. So what are the challenges we are facing despite getting so many brands, despite stores opening, we had only 3% ex-B2B business in Beauty.

Karunakaran M.: I will request Biju to answer that question, Ankit. But just to clarify, 3% doesn't include our 100% global. I mean, that's a completely different vertical. So we have not considered that growth in the 3%, Ankit.

Ankit Kedia: Right. That's why my question is for B2C business and not B2B, which is the SS global business.

Biju Kassim: Yes, I will take that question. Thank you, Ankit. Just to come back and reflect on your question. See, principally, there has been a bit of softness on the masstige or lifestyle segment, the value segment. That is quite the case overall and that is also reflective in our ecosystem. But for us, what has worked well and to what Kavi expressed, the premium and the premium plus. And particularly in the Beauty segment, we also have luxury brand.

I think that segment has consistently grown. And because we focus heavily and because shoppers has become, Beauty in shoppers has become quite a destination for these segments. I think there's an over-indexing of those segments growing quite well. While masstige, the reality is that masstige at the value segment has really seen some pressure.

Ankit Kedia: And in that context, we have just launched a private label brand in beauty, what is the positioning of that? And what is the white space you are looking to fill? Because I believe that's also in the masstige category, right?

Biju Kassim: Yes. So excellent question. So basically, as you can see, the landscape in masstige is getting quite crowded in the context of profitability. And basically, opportunity still exists because that is a recruitment category. When we did our market mapping, we understood that there is still a good opportunity for masstige brands with value proposition so long as the quality and consistency is good and high. And this is the reason why we launched a new brand by the name Joyology in conjunction with Intercos because Intercos is one of the largest or the best in class when it comes to manufacturing.

So together, we collaborated and 100% made in India because Intercos set up their own factory here in India. So we have embarked on this journey because we think that for consistent growth, we need brands that are able to have quality but good value proposition. So to mitigate the risk that we see currently or the fluctuation that we see in the masstige category with existing brands not being able to scale up profitably. We said that, okay, there is an opportunity to enter and that's where Joyology is positioned.

Ankit Kedia: But given that the marketing muscle of the existing brands, and they would be available across channels. And if they are not able to make a profit and with Joyology only present in our stores and little bit online, it would be more tougher for us to be profitable right? Given that the value differentiation is only on product and not on assortment?

Biju Kassim: So basically, here, what we are trying to do is we are not going the discount route. As you know, we are quite good when it comes to the experience part of it. So we want to replicate the success that we have seen in Prestige, which is largely the services and the experience part of it, but with a value proposition because there is a set of customers that is eager to try that experience. And there is a bit of a fatigue that is coming around masstige and revolving around discounts.

And we want to differentiate Joyology with that set of experiences, and that's where we would focus on. And for the moment, we have launched in Shoppers Stop from a brick-and-mortar perspective, and as you mentioned, most of the online players. But we are also introducing them in the other brick-and-mortar players. So this has just launched, and the expansion is in the pipeline.

Ankit Kedia: My last question is on INTUNE. INTUNE growth has been a bit soft. We are at around 9,000 sales per square feet run rate, plus minus INR500. That's a little muted compared to the market. While I understand it's a 1.5-year-old brand. At what level do you see EBITDA level breakeven for INTUNE in next 1 or 2 years? And what is a consistent throughput we should model over the next 2 years for this business? And if you have to say 1-year older stores, how are they -- what is their association and what is their throughput in INTUNE?

Devang Parikh: Thank you, Ankit. I will try and read this question into 2 parts. The long-term view on EBITDA breakeven, maybe Karuna or Kavi can touch upon. But the part on the sales productivity, you are right, INR9,000 is a little muted. If you break that down, we see the network as mature stores and new stores, and we are too young to see a year-old age as mature. For us, even a 6-month-old store is considered as mature.

So there is at least a 25% productivity increase when you see the productivity from mature stores. Mature stores hover somewhere around INR11,000 per square foot. So there is that journey which is now demonstrated that as the store matures and age, the productivity improves. That's part 1 to your question. Part 2 is the overall softness of SPS in Q3, there were some clear reflections that brought it down.

One you may have seen from your last 3 quarters, this is the first time we got into markets where winter came into play, predominantly in North and larger expansion in Bangalore. As a business, we took a conscious call of being conservative on winter because this is the first time INTUNE was getting into this play and a pleasant surprise or blessing in disguise, we outperformed. As we entered December, softness of availability in winter wear is where these markets pulled us down. We are confident we will get this corrected next year now that we have a demonstration of success.

The other thing that we saw, which pulled us down a little bit is starting end of November and all through December, a lot of brands in this phase were running discounts in the name of Black Friday or in the name of mid-season sales. We constantly took a call that we did not want to go down that route. We started our EOSS only on 28th December.

And in the process, we did see some additional softness. So both these factors were factors that we had cognizance of -- that combined with the fact that as the store matures, the productivity improves, gives me confidence that there is no long-term dissonance as far as INTUNE's success is concerned. Does this answer the first part of your question? If yes, then I will request Karuna now to focus on the EBITDA part?

Ankit Kedia: Yes Devang. Thank you for the elaborate answer.

Karunakaran M.: On the breakeven part of INTUNE stores, Kavi did cover in his speech. We are very close to breakeven at the store EBITDA level.

You also said that, right, that we are just 18 months of operation. In fact, the first 6 months, we had less than 10 stores. I mean most of the stores have opened in this year. To answer that question, next year, sometime in Q3, Q4, we should have a complete breakeven, including the SO cost. And from year 3 onwards, we should make a decent profit, Ankit.

Ankit Kedia: So is it fair to assume at a INR350 crores, INR400 crores of revenue run rate, you should breakeven in INTUNE?

Karunakaran M.: Yes.

Kavindra Mishra: Yes, Ankit, that's a fair assumption.

Ankit Kedia: Thank you and all the best.

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

Sameer Gupta: Congratulations on a good set of numbers and thanks for taking my question. Firstly, just wanted to touch upon the store project part. I understand Ankit also asked it in some way, but I have a slightly different question. So last 9 years, if I look at it, including this one, we have closed around 31 department stores.

So it seems that for whatever reasons, closures are a normal occurrence, maybe it gets bunched up in a particular quarter. But over a 2-year, 3-year period, normally, this business will see closures and that could be due to relocations or some other aspects. So how do you look at it. So going forward, when you say 12 to 15 store additions, you are not baking in closures.

So from a modelling perspective, we should take it as a prudent exercise to bake in some closure, your thoughts?

Kavindra Mishra: So thank you for the question. See, when we looked at a complete -- the aging of our stores and the profitability. We did a very detailed exercise and we saw that there are certain set of stores, which we should have taken a call before, and I think that's what we have done. So that's why while they have bunched up together, the discussions or the process started around 6 months back.

I think most of the stores which we have closed now where lot of them were high street stores and stores which were aging anywhere between 7 years to 8 years. I think we have done a lot of cleanup now. So if I'm talking about next year, if we're looking at a 12 to 15 stores of gross, there might be 2 or 3 closures at max or 1 or 2 closures at max, which will come. Otherwise, a lot of that work has happened as we speak this quarter.

Karunakaran M.: Sameer, I'll just add only 1 thing. While you're modelling, what you should also factor is, all these stores are, as Kavi said, has lost its chain and for a number of reasons, like the customers have shifted, like there would be a bridge or where it's passing through a number of reasons. The sales have come down significantly. That's the reason we are closing down the stores. So while you're calculating the sales per store or something like that, just factor that. That's the only suggestion I would have.

Kavindra Mishra: I think in other words, the stores are getting closed because they have lost that critical mass. So the impact in terms of closures won't be on an average side. The weighted average would be still better, is what we're trying to say.

Sameer Gupta: Yes, yes, definitely. That I understand, sir. Thanks for answering it in detail. Second question is on the LFL growth of 4%. And when I see the ASP is also up around 4%. You have mentioned a challenging retail environment. So just wanted to understand how sustainable do you think this LFL is, is it significantly impacted by the store closures that we have done like 7 in this 1 year, if you remove them from the base, like that is how you will calculate LFL?

Or do you see it sequentially improving this LFL growth from here on? I remember last quarter when we started October was at 9% LFL. So it's already materially deteriorated from that. So just wanted to understand on this aspect as well.

Kavindra Mishra: Sameer, if you remember my commentary of last quarter, I said H2 will be around 5%, right? Because what was happening was that October was when all the festivals were getting bunched, then November had a lower base and then December, again, the weddings took over, right? What we are seeing is that, as I mentioned, we stick to the stance of H2 5% like-for-like growth.

So while the market might be up, there are a lot of these initiatives, IPs, which I talked about, is helping us to get more reason for the consumer to come and shop with us. And I think that is the basis on which we are trying to say that, okay, this is the way we want to look at our business. And I'm pretty sure that number which we have mentioned.

And as we speak, the first 15 days of this month, we are, in fact, doing better than the average of last quarter. So the LFLs continue to steady, we remain steady with us.

And we have that mechanism in terms of driving consumers through product, brand and the IPs to ensure that we have a higher light to win, vis-a-vis, our peers.

Sameer Gupta: Kavi, my question is actually a little bit beyond second half. So let's say, the market conditions remain muted, how confident are you with your initiatives to sustain this 4%, 5% LFL?

Kavindra Mishra: I'm very confident, Sameer, to answer that. Yes, because this is just the start. So for example, I spoke about India Weds with Shoppers Stop. Now this business was not there with us in certain ways. In the last 2 months, we have got a revenue of around INR60 crores, right -- INR66 crores, a part of that would be something which will anyway come to us and part of that something which is an additional thing for us.

This initiative alone should be at INR300 crores IP for us next year. Then we have just renovated our Malad store and we are looking at amazing productivity there. In fact our productivity from Malad has gone up by 50%. The SPSF and GMROF are high by 50%.

So What I'm trying to say is there are enough reasons and mechanism by which we are driving this customer growth. And I think this is a new way of our ability to drive LTL, which is not only dependent upon the market because customers are shopping, it's not the customers are not shopping. With the option of being the location where you get the brands which are not available everywhere else by having a great mix of categories and by rationalization and focus on premiumization, I think there are a lot of reasons why we can drive this LFL.

Sameer Gupta: Great Kavi. I'll just squeeze in one more question, if I may. So this beauty part, so I mean we've delivered a 3% Y-o-Y growth. I understand masstige, there are some challenges. But when I look at your peer, Nykaa, they are reporting consistently 20%, 20% plus kind of a growth in this channel. And there's a fair bit of masstige. Actually, their masstige contribution might actually be higher than Shoppers. So why is there such a big dissonance in the top two players in Beauty retailing category?

Kavindra Mishra: Biju, would you like to answer that?

Biju Kassim: Yes. So I'll take it. So basically, you're right. The point is, we see the October-November season, October, November, December season heavily focused on promotions and offers, particularly the Black Friday, Singles Day, etcetera, etcetera. So obviously, their strategy is quite different from our strategy. And here, we are looking at a sustainable long-term growth, which is revolving around experiences.

And this is largely tied up to the premiumization journey and the experiential journey that we are working around.

And hence, we are sometimes constrained to do things on a long-term sustainable model than just to leave in the moment. And that is where probably we have not been able to follow the competition. Secondly, we are clear that we are an omnichannel destination, and we want to focus our strategy on that direction. So that is also one of the reasons why we probably did not do at par with what Nykaa did.

Sameer Gupta: Got it. But you don't foresee this as a clear shift in the customer buying pattern in terms of retail, like as a beauty product basket, more online and more discount oriented, that's not happening.

Biju Kassim: No. So basically, for us, as I said, our strategy is quite focused on long-term sustainable growth. You are right. The market is overheated. And obviously, today, it's all about the acquisition of the customer and to continue sustained growth because there is already a pressure to continue to do that. But how long that is going to be sustainable is a bit of a question. And I think -- and this is not from the context of Shoppers but as a beauty expert, it's going to be tough to continue to sustain this type of offers, promotions and grow.

But having said that, at Shoppers, we are very clear and beauty within Shoppers, we want to be clear that we want to do sustainable growth. Obviously, we are not going to ignore the competitive landscape, but we'll try and do what is appropriate, so that we don't get into that desperate measure and get sucked into that situation where then you are compelled to burn to earn.

Sameer Gupta: Great. I think this answers my question in detail. Thanks a lot for taking all these questions. I'll come back in the queue for any follow-ups.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from JM Financial. Please go ahead.

Gaurav Jogani: Thank you for the opportunity, sir. I would like to congratulate you on the renovation of the Malad store. It looks really fabulous the way it's done. So sir, my first question is with regards to the revenue growth for the core business in the stand-alone, that is if you adjust for the INTUNE revenues in both the quarters, the growth comes to around 3%-odd. Now despite net store additions that we have seen on a Y-o-Y basis there, still the growth remains -- it's at 3%. So what are we doing additionally to drive this growth here in this segment, on the growth ex of the INTUNE?

Kavindra Mishra: So Gaurav, sorry, I was not able to understand the question. Was it that the growth minus INTUNE– is that the question you asked? I didn't -- sorry, I didn't get...

Gaurav Jogani: Yes, the growth minus the INTUNE is 3%-odd if you look at it on a stand-alone basis.

Karunakaran M.: Gaurav, while we are including the INTUNE, Kavi just explained to Ankit also, we have almost closed 7 to 8 departmental stores in the last 9 months. In addition to that, we also had Malad, we have to close, particularly during the Diwali season because we were renovating the store. If you exclude those basis from last year and this year, our LFL growth is still between -- is close to 4% because these closures and Malad renovation will be anywhere between INR45 crores to INR50 crores in terms of top line only for quarter 3. So you have to factor both to get the LFL growth.

Kavindra Mishra: So the LFL growth of 4%, Gaurav, which we mentioned, is, I think, amongst many quarters, it's amongst the highest which we have got.

Gaurav Jogani: Sure, sure. And sir, would this LFL growth that we are seeing in this Q3 also specifically because there was a better wedding season and the better festive season around. So that was one of the factors. Do you see this sustaining going ahead in even Q4 and the month ahead, given the initiatives that we have taken around the First Citizen or the other parts of the business?

Kavindra Mishra: Yes, Gaurav, we are very, very confident that what we have done in Q3 is not a onetime phenomenon. There are -- right from the mix -- and I think this is something which I have been always been talking through -- through all my calls is that we need to make Shoppers Stop the destination for consumers. We need to give them a reason to come and shop and there is enough business happening in the market. We need to make the customers come to us.

I think we have now got the fundamentals in place, whether it's through premiumization, whether it is through the business, through the brand IP, whether it's through the mix, Beauty, Non-Apparel. I think we have a very, very strong offering for the customer, a compelling choice. And that's the reason we are very sure that this LFL will continue, if not onetime.

Gaurav Jogani: Sure. And sir, on the Beauty part of the business, while we have been adding the EBOs and the stores there, if you look at the absolute sales in the Beauty business, I mean, even as considered Q3 FY23 levels, the revenue growth is around that INR240 crores to INR270 crores mark in that range. So would it be prudent to understand that while it would have gone down on a per store basis in that sense, but the focus largely is to drive profitable growth and hence, we hit in the short term. Would that be a right understanding?

And does this pattern also follow through over a larger piece of the business, not only Beauty, but the whole part of the business, where the focus would be on a sustainable profitable growth. And if we were to sacrifice some of the growth for it, we are ready for the same?

Kavindra Mishra: So let me answer the broader thing and maybe then Biju can also add in specifically for Beauty as well. See, I think across the last 3 to 4 quarters, we have been talking the thesis, which is on sustainable profitable growth. So all the actions which we are doing has to result in a profitability at the end of the day. So whether it's store closures, whether it is rationalizing our private brands, whether it is giving us spaces for brands which are not right.

I think we have done this journey continuously. And that is something which, as a team, we strongly believe in, Gaurav. And you can see that. So for example, private brands, while the overall top line has come down as a contribution, actually, if you look at it, the profitability -- and though we don't share a segment by this thing, the contributions actually have gone up substantially.

So I think that is a journey in which we are. And on the Beauty piece, so while Biju can talk about the qualitative piece as a number, the Beauty CAGR over the last 2 years is around 7.5% for us. So I think that's something which is sustainable, and we'll keep on building on that. Biju, you want to add on something, any point here?

Biju Kassim: Yes, sure, sure. So just two points here. Like for department store, even for Beauty, whenever we have a store that is not profitable and we see that in the midterm, long term, it is not going to be profitable, we also tend to take the same actions that we do with department store. That's the point number one.

Second, what we have been doing in the last 2 to 3 quarters is starting to show results. But as a strategy, when we talk about a strategic intervention, our desire here is to allow the Indian beauty consumers to have the best of the representation. So you touched upon rightly the boutique journey. So the boutique is the best expression, but maybe sustainability-wise, yes, a few, but not many.

So we have multiple formats. And between Beauty within Shoppers Stop, SS Beauty and boutique, we think that we are feeding in the right strategy, which will eventually take us to that bigger bolder number. So these are the two things that I would like to reflect upon to give you confidence that this is something that we'll continue to do in line with the larger, broader strategy and obviously driving the premiumization, the premium, premium plus and the dominance in fragrances, etcetera, etcetera.

Gaurav Jogani: Sure sir, thank you. That helps. Thank you so much.

Moderator: Thank you. The next question is from the line of Varij Bangur from GE Shipping Family Office. Please go ahead.

Varij Bangur: Congratulations for a good set of results. Sir, when we speak of, let's say, rationalization on stores in stores point of view, are we also doing in-store rationalization? Like are we looking at third-party brands and how much area to give to each brand as per the sales they generate? And also, are we looking at the area split between Beauty and Non-Beauty segment within the departmental store? Are we looking at those factors or we are just talking about opening and closing of departmental stores here?

Kavindra Mishra: So Varij, thank you for this question. I think the question which you rightly asked is that do we keep on looking at how the productive areas are, right? Whether it's within the categories and within the brands. So Varij, happy to share with you that it's a once in a 6-month process when we look at how are the brands performing within categories. And if we feel that certain categories are going to do better, then we allocate more spaces to them.

So I think brand churn is not only at the chain level, but it is also at the store level. So that is one point of view. We have a KPI called GMROF, which actually means the profitability of each square foot and that's something which is very sacrosanct for us. Which means that in certain cases, if we feel that certain private brands have no right to win because the GMROF in certain categories are lower. We have also taken calls to reduce and rationalize that space.

I think that is for any retailer, the heart of the business, and it's something which we, at the category level, do it continuously. I think there's a continuous monitoring of this data point because finally, the space is finite. As a team, we need to deliver the maximum productivity out of it.

Karunakaran M.: And we churn the brands also at the store level.

Varij Bangur: Got it. So this is a recent exercise? Or I mean, I'm sure you must be doing it from the inception. But recently, anything more that you have done on this space?

Kavindra Mishra: So it has always been there. See, Varij, it's the heart of running the retail business. So I think this is something which we continuously do. If your question is that, have you seen certain categories perform better? And then have you increased the space? So yes, for example, in certain cases. For example, when we renovated Malad, the spaces for Beauty was increased. In certain other stores where we see watches have got a right to win, we ensure that, that happens.

If in certain renovation, we feel that the Women's Indian Wear has to do better or is doing better than Women's Western, we do that. So I think it's a continuous journey, Varij.

Varij Bangur: Okay. And my question is around INTUNE. Now that some of the stores are mature, what is the average inventory we are keeping in the store or let's say, the inventory cycle in a particular mature INTUNE store?

Devang Parikh: Thanks. The idea is to have anywhere between 6 to 8 weeks of inventory in the store.

Varij Bangur: Okay. So that is the actual number that we are currently at?

Devang Parikh: Yes.

Varij Bangur: Thank you.

Moderator: Thank you. The next question is from the line of Akshay Kotari from JHP Securities Private Limited. Please go ahead.

Akshay Kotari: Thanks for the opportunity. Sir, I had 2 questions. First of all, is INTUNE value fashion? Or is it value fast fashion? And my second question would be, sir, I recently visited the INTUNE store, which has opened at Jogeshwari, which was placed next to Zudio. So while I agree that the experience and I have also visited Shoppers Stop, the experience at Shoppers Stop is amazing. But when we visit INTUNE and since it is placed next to Zudio, there are a lot of stark differences in the experience.

For example, the store at INTUNE doesn't have automatic doors. In fact, none of the INTUNE stores have automatic doors. There's their guard who is going to pull up and then you enter. There are no mannequins. The designing of -- you can say the changing rooms is pretty, pretty -- like you're entering the cave. And I had also visited Vashi and Nalasopara stores. So I don't know whether you are going for -- just because you are selling the product cheap, are you also looking to offer experience at INTUNE?

Devang Parikh: Thank you, Akshay. I'll answer the first part of the question first. I think we are in -- at a time when fashion, which is not fast is no longer fashion. So we are everyone in the business of fast fashion, right? Customers will not forgive us if we are not and INTUNE is also in the same boat. Secondly, about your experience, feedback well taken. I think the experience of a customer inside a store is a journey and it improves over time.

I would like to believe that we've improved from the first month to the 18 months, and I would definitely like to commit that as we go along, this is a continual improvement. To the specific points that you raised, well noted. To a point about whether experience is important or not, it is definitely important. Maybe if you got a chance to interact with the staff in the store, a big part of the experience is the way the staff helps you out and the way the staff responds to you.

I hope that experience was good for you, and that experience was in the line of the Shoppers Stop legacy that as a company, we've created over the last 30 years. If yes, then all the other points, I think, do keep visiting our stores, I think you will keep seeing significant improvements in experiences.

Akshay Kotari: Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Shalini Gupta from East India Securities. Please go ahead.

Shalini Gupta: I had one question regarding private labels. Now private label was a focus area for Shoppers Stop for many years. But now I find is that, the sales have kind of tapered off because you are probably rationalizing your portfolio. So is it still a focus area? And what can we expect going forward from private labels?

Kavindra Mishra: Yes, absolutely, Shalini, Great question. I think private brands continue to remain the focus for us. But as I said, I think in the other query, I think which Varij asked me, any category, whether it's private or national brands has to justify the space in the store, which means that the GMROF has to be strong. It's not only about the top line, but it's about the profitability. And I think we have really focused on that. What we have also done is and as a part of rationalization, we have discontinued non-core categories in private brands.

So when you see the comparison, you will see that there are certain categories like Footwear, etcetera, which we used to run or Handbags, which we have ensured that we have reduced them. The core categories actually have become very sharper. And if you visit the stores, Shalini, you will find that the product quality, the premiumization which we are talking in national brands can be easily seen in the way it is there in private brands. In fact, I'm very happy to share that Kashish, which is our womenswear brand was the #1 brand for productivity in Q3.

And for menswear, it was Bandeya. So I think, we are actually doing a very, very interesting work in where, in private brands, the story is less is more. You need to make less merchandise, right merchandise and get more profitability. That is the journey of private brands. It's not about top line. It's about profitability and able to have products in the categories where you don't have the right to win in national brands. I think that's what we are focusing on, and that will help us to improve our profitability as well as in Q3.

Shalini Gupta: Thank you, sir.

Moderator: Thank you. The next question is from the line of Naitik from NV Alpha Fund. Please go ahead.

Naitik: My question is regarding the expansion plans of INTUNE. So if you could just mention how many stores you plan to add in FY26 and say, FY27? Because I believe in the starting, you mentioned that you are planning to have 15, 16 overall stores in FY26. So that I believe does not include INTUNE.

Karunakaran M.: Yes, what Kavi spoke about is the departmental store. You are spot on. Let me talk in detail about INTUNE. We said we have opened 59 stores as of 31st December 2024. We are planning to open another 26 stores in Q4, taking us to 85 stores in FY25, which is March 31, 2025. Next year, we are planning anywhere between 90 to 100 stores. Some of them have been already contracted with the landlords. And that's our plan right now for FY25, FY26.

Naitik: Right, right. And sir, my another question on INTUNE as a format was what kind of payback period do we work with when we are working on, say, 90, 100 store additions? What is our thought process behind that?

Karunakaran M.: The payback is slightly more than 3 years right now. But just now, my colleague, Devang spoke about. I mean as we -- the stores get mature, we expect the payback also to come down.

Naitik: All right. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Rajiv from Nuvama Wealth Management Limited. Please go ahead.

Rajiv: Thanks for the opportunity. With regard to INTUNE, so your earlier target was 50 stores in the second half, right? So what actually happened? Why this?

Karunakaran M.: Yes. So when we opened the 49 stores as on 30th September, we said we will open 51 stores in second half. And Kavi also spoke about in his speech because of the fog or smog, whatever you call, there are restrictions imposed by the local government and we could not open -- we were supposed to open 25 stores. We could open only 10 this quarter, taking up to 59.

We could not open between 10 to 15 stores during this quarter because of the pollution and other things, and that progressively got delayed. So that's the reason we were unable to open 100 stores this fiscal. We will be opening up to 85 stores this year.

Devang Parikh: In addition to that, there is a certain productivity that we have in terms of opening the stores, and we would not like to compromise the effectiveness of opening stores by covering up all the backlog in the months of Feb and March. That is why we've consciously taken a call that 85 is what we will have by March end but the journey continues seamlessly from 31st March to 1st April, and I think we will hit the 100 mark very soon.

Rajiv: Perfect. And in terms of, let's say, getting leases on INTUNE or other, has it become slightly more tricky now since more profit revenue-linked leases is what we are getting now?

Karunakaran M.: No, we have not seen any such shift. I mean it's a fixed rental. And if the sales go beyond a particular amount, then the variable part gets triggered. So the same model continues. There is no change in that. We have not seen any change.

Rajiv: Ok sir. That's all from my side. All the best. Thank you.

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

Jay Prakash: First of all, congratulations for this quarter. Hopefully, you will continue this growth trajectory. My first question is, you have planned for 26 INTUNE stores and 6 department stores in this Q4. In the southern part of India, you have planned for Andhra Pradesh, Telangana but you have not considered anything about in Tamil Nadu. If you talk about Tamil Nadu, it is one of the top GDP contributing state, as well as per capita income also, it is higher. Have you done any geographical study and things why you have not increased source beyond Chennai, cities like Coimbatore or any other southern part of cities?

Kavindra Mishra: So Mr. Jay Prakash, thank you for your remarks and the question. Actually, eventually, definitely, we will come into Chennai and TN as well because, as you said, it's an important market and our CFO also comes from there. So I'm sure he will put enough pressure on us to do that. I think, as a start, we actually started in a cluster approach for INTUNE. So we are just trying to populate first the Hyderabad, Telangana, Andhra market. And slowly, you will see TN also coming next year, right? Yes.

Jay Prakash: My second question is how about your short-term borrowings? It keeps increasing from INR105 crores, to INR174 crores, to INR177 crores.

Karunakaran M.: Sorry, your voice is not clear, Jay Prakash. Are you talking about the borrowings?

Jay Prakash: Yes, short-term borrowing.

Karunakaran M.: What borrowings, I'm sorry?

Jay Prakash: Short-term borrowings keep increasing from last 2 years from INR105 crores, to INR174 crores, to INR177 crores.

Karunakaran M.: Okay. I mean, probably I'll just take a minute to explain. So we have INR149 crores as a cash credit limit with the banks and that has been consistent for many, many years right now, probably for 7 or 8 years. And you know as per the GAAP, all these cash credits are classified as short-term borrowings. We also have INR80 crores as a term loan, INR50 crores from Kotak and INR30 crores from HDFC. So any repayment that comes within a year is also classified as a short-term borrowings.

All I want to say is, I mean, there are borrowings and the short-term borrowings and long-term borrowings are completely fungible. There is no difference as of now.

On your next question, has the borrowings have increased, the borrowings have increased. If you have seen our first quarter results -- the first half results, the profits were slightly lower, but we continued our expansion plan in terms of capex, and we also increased the number of INTUNE stores. On the capex, we will be spending around about INR230 crores this fiscal. On INTUNE working capital also, we will be spending about INR50 crores to INR60 crores.

So whenever there is a gap between our expansion plus working capital increase vis-a-vis the EBITDA, we have to borrow but we are reasonably confident that this year is one of the worst year. From next year onwards, our EBITA and EBITDA should be equivalent to the capital plus, the fixed assets plus the working capital and we should be able to easily manage that.

Jay Prakash: Okay. Fine. And last part as an individual investor, as a retail investor, I was expecting some long-term benefit from your company. The last dividend was in 23 July 2019 and rights issue was on 2020. Since then there was -- is there any discussion on the table about for dividend or bonus or something to the investors?

Karunakaran M.: We do discuss from time to time, but I mean, normally, these things happen at the year-end. We just completed the quarter 3. So if there is any such discussions, I mean, obviously, it will be available in the public domain. There was no such discussion in Q3, Jay Prakash.

Jay Prakash: And one more thing is that I expected that you -- your strategy should be more bringing that the people who are going to college, that kind of age category that is around 19 to 25 are the first time who are going to job and those people must visit the Shoppers Stop. Accordingly, you have to cater them with the products for their income because they are the one going to come back again and again.

And also, they will be your ambassador that if they -- those huge people who purchase some good things, obviously, they will bring more people to your stores. So I mean that your product portfolio must include those satisfying or catering those categories and thank you for the opportunity.

Kavindra Mishra: Thank you for your suggestion, Mr. Jay Prakash. We will work on that.

Moderator: Thank you. The next follow-up question is from the line of Naitik from NV Alpha Fund. Please go ahead.

Naitik: My follow-up question is again on INTUNE. If you could give me a bit of the store economics like the store size, the capex and opex that you plan to, along with inventory in the new stores that you are going to open?

Devang Parikh: Sorry, I didn't understand.

Karunakaran M.: Yes, we could not understand. So are you saying that you need something about the capex?

Naitik: Yes, on INTUNE, the store economics that we plan, like the size of the stores that we are planning to have average size and what is the capex and opex that would be required and inventory that would be required in store, etcetera?

Devang Parikh: The size of the store is around 5,000 square feet. That's always been our guidance, plus or minus the normal tolerance that's available. I think as far as the overall economics are concerned, Karuna did mention sometime back that the ideal payback period is 3 years. So everything is back calculated keeping in mind what a 3-year payback affords us to spend on.

I think we are pretty much industry benchmark, as far as opex standards are concerned. There is no number which significantly deviates between us and any of the other markets. So I'm pretty sure that you will have those benchmarks available. So is there anything specific?

Karunakaran M.: Yes, capex is between INR1,600 crores to INR1,700 crores depending upon the stores. And again, Devang spoke about inventory at the stores, which is between 6 to 8 weeks of inventory. I mean we are fairly consistent with every other value format that you can see in the industry.

Naitik: Got it, sir. So even for INTUNE, the average size is 5,000 square feet, right?

Karunakaran M.: Yes. Our average size is 5,000 square feet, you are right.

Naitik: Got it. Thank you. That’s it from my side.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. On behalf of Shoppers Stop Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.