

SHOPPERS STOP

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January 24, 2024

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
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Sub: Transcript of Earnings Conference Call – Q3 FY24

We refer to the analyst / investors conference call, on **Friday, January 19, 2024 11:00 a.m IST** to discuss the corporate performance for the quarter and nine months ended December 31, 2023 (“Earnings Conference Call”) and our letters in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ref. no. SEC/109/2023-24 dated January 11, 2024 and ref. no. SEC/114/2023-24 dated January 19, 2024, intimating of the call and providing the link for the Audio Recording, respectively.

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**

Vijay Kumar Gupta
Vice President- Legal, CS & Compliance Officer
ACS No: 14545

Encl: aa

Shoppers Stop Limited

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SHOPPERS STOP

“Shoppers Stop Limited Q3 FY '24 Earnings Conference Call” January 19, 2024

SHOPPERS STOP



MANAGEMENT: **MR. KAVINDRA MISHRA – CUSTOMER CARE ASSOCIATE,
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER –
SHOPPERS STOP LIMITED**

**MR. KARUNAKARAN MOHANASUNDARAM – CUSTOMER CARE
ASSOCIATE AND CHIEF FINANCIAL OFFICER – SHOPPERS STOP
LIMITED**

MODERATOR: **MS. MAMTA SAMAT – PERFECT RELATIONS**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '24 Earnings Conference Call of Shoppers Stop Limited. 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 is being recorded.

I now hand the conference over to Ms. Mamta Samat from Perfect Relations. Thank you and over to you, Ms. Samat.

Mamta Samat: Thank you, Michelle. Good morning, and thank you all for joining us on the Shoppers Stop Q3 FY '24 Earnings Conference Call. Today, we have with us the senior management represented by Mr. Kavindra Mishra; Customer Care Associate, Executive 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 in 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 would now request Mr. Kavindra Mishra for the opening remarks. Thank you, and over to you, sir.

Kavindra Mishra:

Thank you, Mamta. I hope I am loud and clear. Good morning, friends. Thanks for joining us today to discuss Shoppers Stop financial results for our third quarter. I wish you and your family a very Happy New Year. As Mamta mentioned, I have Karuna, our CFO; and my colleagues, Jaiprakash and Rohit from Finance.

As always, I begin with the retail market update, and then we will cover our company's performance, strategic pillar and conclude with outlook for the year. We had begun the quarter with Pujo followed by Diwali in November. I'm happy to say that the festive sales were good. We had a 4% like-for-like growth and overall growth of 8%. We had signs of recovery during the festive season, particularly in the premium category.

Post Diwali, we have witnessed a seesaw situation in the market. There has been a delay in winter this year. The temperatures were significantly higher than normal, which impacted our winter wear sales. Post-Christmas, we have seen a recovery, but it's still not consistent. There are green shoots. But overall, the market remains muted.

While the challenges continue in demand, our performance has been driven by engagement with our loyalty members, our overall customer journey, our shift to premium and more importantly growth of non-apparel including home business. I will speak about the performance and then on our strategic pillars going forward.

We delivered a INR1,484 crores with a 4% growth. As I said earlier, during the festive period, our sales grew by 8% with like-to-like sales growth of 4%. Our performance has been driven by brand beauty and non-apparel business. During the quarter, 14 stores out of our 100 odd stores achieved the ever-highest sales. On the non-apparel category, watches and fragrances has clocked the highest quarterly sales. Apparel continues to have a muted growth, particularly in women's westernwear and partly in menswear.

Having said this, we have the highest sales in women's Indianwear and in Kidswear, our private brand 'STOP' grew by 8%. Our gross margins declined by 70 bps due to onetime impact, which I will speak to you about.

Just to recap, our private brand grew by 70% versus pre-COVID last year. While ordering the spring summer and autumn winter merchandise, we didn't anticipate the slowness as we are experiencing it now. We decided to clean up and provide for the obsolescence of

inventory which is worth around close to INR9 crores. Due to this, our gross margins are impacted by 60 bps.

EBITDA has also been impacted by the cost base, which are built for a much larger scale. Our rentals, which are largely fixed and that has a negative leverage if the sales are lower. In addition to this, we had investments in marketing and technology, which are critical and which we will continue to keep investing in.

The new businesses, such as SSBeauty.in and Intune had costs. Though Intune had Positive store EBITDA, with expenses largely fixed, it had a negative leverage on the overall profitability.

On the income side, we did reverse the provision for interest on GST in FY '23 for INR20 crores. This was included in other income in FY23. While speaking in the investor call and the results which we published, we have stated that.

If I talk about the KPIs. Our ATV grew by 6% versus last year. While I have spoken to all of you last quarter, I said the premiumization is on the rise, and we are facing a K-shaped recovery. There are a number of reports in the recent past which adhere that premium and premium plus goods are outselling in terms of demand.

At Shoppers Stop, we have built our store to cater to premium and premium plus products to our customers. We firmly believe that with the growth of market, our company is poised to reap the benefits and we have also become the preferred partner of choice for a lot of brands. Our IPT, which is an important unit which we drive, grew by 5% during the festive period. We also observed a surge in the number of items bought by our customers.

Let me speak about the operating cost now. So overall, our costs have increased by 10% versus last year. On a like-to-like basis, the cost increase is nearly 4%, which is largely inflation led. Our cost increases are due to the following: our investments in tech, which will continue for this year and going forward in next year as well, to enhance our journey besides investing in cybersecurity as well. We have opened 19 stores in the last 18 months.

We launched Intune two quarters back. We launched SSBeauty.in again at the beginning of the year. Until the store matures, scalability is built in Intune and conversion increases in ssbeauty.in, we may have to continue to invest. As I mentioned, 14 of our stores achieved the highest sales in this quarter. Of the above, 8 stores were launched in FY '20 and FY '22. I am fairly confident these investments will disproportionately deliver results in the years to come.

During the quarter, we opened four large departmental stores, four beauty stores, four Intune stores, and one airport store at T2 Bangalore. We spoke in detail about the store opening for this fiscal and the next few years. We are targeting to open 56 stores during the year, including 15 departmental stores and 24 Intune stores.

We have opened state-of-the-art beauty store at T2 Bangalore International Airport(BIAL), last quarter with added beauty services like nail bar, hairstyling and treatment room. Our KPIs have improved in the last 11 quarters. Our 3Cs framework, which talks about customer centricity, consistency in growth, and capital allocation is firing well.

In terms of customer centricity, SSL has established a customer-centric culture with a strong focus on providing exceptional service and creating a seamless shopping experience. This has led to increased customer loyalty. Also, our personalization campaigns working on consumer personas have started yielding wonderful results for us.

Consistency in growth. We have been consistent in growth over the last 12 quarters, indicating stability and predictability in its performance. We have a well-defined strategy that outlines the company's long-term goals and the tactics to deliver them flexibly enough to adapt to changing market conditions.

Capital allocation. Our strategic allocation of capital from internal accruals to enhance both the physical and digital capabilities to lead long-term success continues to focus on. Let me talk about some operations about our strategic pillars.

First Citizen - Our success has been our patented customer journey. Over the years, we have added many services to our customers, such as personal shoppers, makeovers, and several other initiatives, which are made to engage with them at the highest level. We were and are confident about such sustained investments, which will add disproportionate growth and success in our business.

For the quarter ended, our loyal customers contributed 78%, including 65% repeat contributions. Our membership grew to 9.7 million and will be touching a 10 million number shortly. Our premium black and platinum customers contributed to 13% of sales and grew by 18%.

We had 118 customer events across all our stores in the quarter, making it a memorable shopping experience for our customers. This also is a differentiating point, which we have versus our other peers. Now I'm separately covering First Citizen contribution in beauty.

Our First Citizen contribution to beauty has been steadily growing. The contribution to beauty by the First Citizen customers has been 69%, a 12% YoY increase, driven by a strong 35% increase in the beauty sales. Overall, there has been a 5% growth in the First Citizen customers trying beauty as a category for the first time, which we call them as a trialist, and repeat members shopped in beauty category up by 8%.

Now let me talk about private brands and Intune. The challenges in private brands continued for the second quarter too, particularly in women's western wear and parts of menswear. I had spoken at the beginning of my speech too.

Our sales declined by 6% and overall contribution was at 13% and within apparels at 19%. The silver lining is that our women's India wear grew by 7% during the quarter. We are aware of the challenges and we are course correcting including buying closer to the season, optimizing vendors and more importantly streamlining the options to make it more relevant.

I am very confident that the corrective measures will show the impact on profitability in the coming fiscal. From private brands, let me talk about Intune, our success story in the last 8 months. We have opened 11 stores and I will not dwell into the performance in the future plans all the same.

We had opened four Intune stores during the quarter. In addition, two stores were delayed due to regulatory approvals out of which we have opened one in January 2024. Some of the key initiatives being put in place to track customer feedback and shopping experience in Intune are, we have analysed the customer behaviour based on the shopping basket, which are the best performing categories, best performing merchandise points, stores, frequency of purchase and the sort of merchandise in each store.

We are also reaching out to our customers having exit interviews to understand and analyse their shopping behaviour and see how they shop versus the positioning which we had initially chosen of. We have engaged promoters immediately after launch of a new store to have their feedback of our new customers. Through our digital, though in the initial stages, we are also trying to get the NPS scores from our customers.

And like this, there are several initiatives to understand the consumer behaviour as we are launching many stores. This has helped us to improve the KPIs such as monthly traffic conversion and more quality of business. It has also helped us to improve our ATVs.

Needless to say, all this is related to improving business. I am proud to say that within 8 months of operation, we have positive EBITDA at the store level. Though we are away in the initial stages, there will be a learning as we go ahead.

As we grow, we are learning too. As we commence the journey, the learning curve has been steep. We continue to learn and I am sure our customers will never let us down. And our initial response and then their initial response to us has exceeded all expectations.

Let me speak about beauty. Shoppers Stop invested in premium and luxury beauty at the time beauty was literally non-existent in India. These investments have been yielding good outcomes. Before I dwell in detail about beauty, some of the key achievements in the quarter are - Beauty achieved its highest ever quarterly sales of INR262 crores, growing by 10%. Overall beauty contribution increased to 18%.

Our engagement with the customers were at all-time high with 266,000 makeovers and 138 master classes. We had a fabulous campaign in the last quarter, namely Diwali, just

ahead of the festive, Singles Day and Block Friday. PUIG Exclusive and PARTY EDIT in December. All these campaigns yielded excellent results with high efficacy. Our First Citizen contribution in beauty increased to 72% with repeat customers of 60%. As I said earlier, we have opened four stores including a large SS Beauty store at T2 Bangalore Airport.

In our recently launched exclusive website, SSBeauty.in, our followers and engagement rate has been increasing. We have gained followers in YouTube and other social media. During the quarter, we launched 15 plus beauty brands and added 80 SKUs in our private brand Arcelia.

Our beauty distribution has also achieved its highest ever sales during the quarter, making profits in the first year of operation itself. India's beauty and personal care market is estimated to touch INR30 billion by 2027, accounting for about 5% of the global market. The beauty market in India is currently underpenetrated versus other Asian countries.

Indian beauty and personal care market is growing at a rate twice as fast as FMCG-led brands, signalling the significance of specialized beauty and personal care-focused players. With the investments made, I am reasonably confident of bigger milestones which are yet to come in beauty business.

Omni Channel- Our Omni channel retail strategy is to improve the customer experience and provide an additional channel for customer purchase, whether it's on mobile, web, or in stores. The availability of multiple purchasing channels leads to an increase in sales and traffic. Our sales share was largely flat in Omni, though the overall trend seems to be that Omni's channel is slowing down.

Our investments in Omni will continue. We are reasonably confident similarly to beauty; Omni will be the leading channel in the next few years and we are fully prepared for that. Let me also talk about Home Stop.

I briefly spoke about our revival of Home Stop in the last nine months. We have observed improving trends in sales. During the quarter, our Home Stop contributed INR42 crores to overall sales. You may recall that I joined as a Chief Commercial Officer and CEO for Home Stop. With my team, I am devising a new strategy to revamp the business.

This will enable to optimize and improve productivity for each store. There are several brands which grew twice as that of last year and we have also introduced new products which are successful since its launch. As it will reach the scale, I will speak about our future plans on Home Stop going forward.

From strategic pillars, I will move to capital expenditure, working capital and cash flow. During the quarter, we opened four large departmental stores, four Intune and four beauty stores including one state-of-the-art beauty store at the Bangalore T2 Terminal.

Our total investments during the quarter in capex and deposits for new stores were INR51 crores. In the last quarter, we dealt in detail about our investments for the year and subsequent years. Just to recap, we'll be opening 56 stores within this year, out of which 32 have already opened. On the balance, 24 stores, 14 are Intune and 7 are departmental stores. Our working capital, which was negative at INR89 crores at the end of Q2 has reduced further to INR173 crores negative at the end of quarter 3.

We reduced INR80 crores in our apparel inventory in private brands in the last 9 months, which I believe is a significant step. Without our inventory in beauty and Intune the business we're building upon, our inventory in the last 9 months has reduced by INR45 crores.

As I look back at quarter 3, beauty, Intune, home business, the brand business and Indian women wear in private brand has fired really well for us, and we had a good success in that. We have challenges in private brands in men's and women's western wear, which we are aware of, which we are both correcting and which will start reflecting in the coming fiscal.

As I'm about to conclude my speech, we will lay our emphasis on our strategic pillars. The First Citizen loyalty customers, private brands, Intune, Beauty and Beauty distribution, store expansions and omnichannel payments.

The broad outlook for Q4 will be as following. We'll continue to grow well in non-apparel, particularly the beauty business. The number of events during the quarters such as the Valentine's Day, which will further help us to acquire new customers. The end of season sales started ahead of time. I expect some impact in Jan and Feb.

Overall, we are expecting a mid-single-digit growth in Q4 similar to Q3. I'm confident that our investments in new stores will yield disproportionate growth in the years to come. As I said before, we are opening 56 stores this year, and we expect to open 100 plus stores next year. We are excited about the success of Intune. We are building the team to ensure that we sustain the success. There has been a steady revise in share of wallets across the Zones.

Customer preference for premium products have increased. We are at the final stages to have some leading international apparel brand in our stores who will be our exclusive partners. This will further enhance our premiumization journey and differentiated choice for and a differentiated choice for our customer deal.

I'm very optimistic about the growth prospects of Shoppers Stop with the right investments we have made on our strategic pillar. I'm confident our next year would be another success story with our strategic pillars, including Intune firing on all cylinders. I will hand it over to the Operator and happy to take questions from our participants.

I also have with me Biju, who is the CEO of our Beauty business; and Devang, who is the Business Head of Intune business, as the team would be happy to answer any queries around the business. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Phillip Capital. Please go ahead.

Rahul Jain: Good morning, sir. I have a couple of questions from my side. With regards to Intune, what are the franchisee models that you are exploring currently? And could this be done for Shoppers Stop as well? That's my first question.

Kavindra Mishra: Good morning, Rahul. This is Kavi here. Intune, as we mentioned, we are just setting up the whole system of Intune in process. Right now, as we set our own stores, we will have a lot of learnings, which we need to factor in the way we want to grow the business initially. So right now, the focus of the organization is more in terms of putting the company-owned stores and then taking the learnings from there.

As we achieve a certain scale, definitely during FY '25, at some point of time, we will be also looking at getting into a franchisee model because it's about throughput of the store, it's about the optimizing of capex, about the working capital. So, once we fix these things and when we have a consistent model, I think that's the time then we would like to go towards a partner. Well, at the end of the day, it's the thing which we need to commit, right. So I think that's the process we have. In case of Shoppers, we are not looking at franchisee model as of now.

Rahul Jain: Understood. Sir, my second question is with regards to the revival of demand from FY '25 onwards that you mentioned in the presentation. What would be the key drivers of the revival going forward according to you?

Kavindra Mishra: So, for us, there are two or three things which are very, very important, and that's the trends we are seeing. One is that the entire non-apparel piece, whether its beauty or non-apps is doing really well. We also foresee that going forward, the premium brands and the premiumization journey will keep on becoming stronger and stronger. And that is a journey which we believe that, that particular customer will keep on investing and buying in the experiences which he or she gets in the stores. So, for us, those are the reasons why the revival in demand will happen.

Rahul Jain: Understood. And lastly, sir, on private label, the contribution mix has been on the lower side for the last few quarters. So are you taking any additional measures to revive that and to improve the sales mix going forward? Could you just share a little bit of what you've been doing on the back end regarding this?

Kavindra Mishra: Rahul, as I mentioned, if I look at my private label, there is -- there are four parts to it. There is a Indian womenswear, which is really firing well and which we keep on pushing as

we speak. There is kid's, which is doing fairly well. For us, the biggest struggle is in two categories, which is women's western wear, which actually is a market itself is on a little bit of a turmoil now. And then we have got menswear.

So, what we are trying to do, two things one getting a positioning right for our brands in these categories, ensuring that the customer gets a differentiated product from us. See because we are a house of brands. We have the best brand in the business sitting in those four walls and selling those products. So ultimately, we are able to provide the differentiation, which our Indian wear does beautifully well.

We won't be able to get the traction and the kind of ambition which we have for the private label. So, the desire is to get the positioning right, clear up the inventory which was there. So that's why we have taken those one-time hits sharing of the inventory and working on making the brand stronger. As we speak, that, a lot of that work is happening Rahul. We should start seeing the results next year.

Rahul Jain: Got it sir. Thank you for the answers.

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

Sameer Gupta: Hi everyone. Good morning. And thanks for taking my question. Firstly, on private brands again. So, this quarter has seen a 6% decline. And if you consider that INR11 crores of the sales is Intune, it's actually a 11% decline. You mentioned about the categories of women's western wear and menswear. So just wanted to understand a little bit more in nitty-gritty. So, is the decline in women's western wear also happening for you in your non-private brands? Or is it something to do with our private brands?

Karunakaran: Sameer, just to clarify, Sameer. Intune is not a private brand. So, when we say we have decline, it's a like-to-like comparison, and we have not included Intune in that.

Sameer Gupta: Got it, sir. Thank for that clarification. So INR189 crores is excluding the INR11crores of Intune?

Karunakaran: That's right. Absolutely right. And we are not planning to include Intune as a private brand in the future also.

Sameer Gupta: Great, sir. That's great for clarity. Just -- but the question still remains.

Kavindra Mishra: Yes. So the answer to the question is that we are seeing stress in women's western were across the, across the base, whether it's national brand or private brand. Women's western wear has been under a little bit of our stress across. What we've also seen, Sameer, is that -- and when we were looking at the personas and we look at customer data in great detail. A lot of the women's western wear buyers, whether they are private brand

buyers or national brand buyers have gravitated especially in the last quarter towards Indian wear.

That is a trend we have seen across. So I think that is something which we are cognizant of. That's an industry phenomena. But coming back, I think there's a lot of work which we need to do at our end to ensure that the women's western wear offering which we offer as a private brand becomes stronger. So whether it's putting the brand positioning and or putting the right set of merchandise, I think that work is happening Sameer.

Sameer Gupta:

Got it, sir. Switching on to Intune. Last quarter, you had mentioned about the sales per square feet number of INR14,000 and store EBITDA of 10%. Just, if you could give corresponding number for this quarter as well? And secondly, 14 store openings in fourth quarter expected. Do you think there's a large chance of some spilling over happening over to the next year? Or you are still good to go to these 14 store additions in this year?

Devang Parikh:

Thank you, Sameer. This is Devang here. First part to your question, the SPSF and the EBITDA we sustained in Q3 over Q2. So, I think all the numbers that we said in the last call they hold true and we're improving on them. Secondly, as far as your question on the 14 more stores in Q3, I think that's absolutely on track. We will definitely end the year with 24 stores.

Sameer Gupta:

Sir, lastly, if I can squeeze in. The LTL growth of 4% during festive, what would be that number during the quarter? And this guidance of mid-single-digit LTL that you have shared like in previous quarters, would it require a meaningful pickup in consumer sentiment to reach there, especially on the apparel side? Or are there some company-specific initiatives, including what you've shared in the private brands that you think can still power a meaningful recovery in your LTL or you are just dependent on the overall consumer sentiment picking up for this number to be achieved?

Kavindra Mishra:

So, there are two parts of this. One, I think the festive LTL, as you mentioned, was around 4%. The overall LTL for the quarter was minus 1%. That is the number which we have.

If I look at the things which we are trying to do. So obviously, there's a base effect, which is which comes into play this quarter versus the last quarter at the same time, which was a little stressful quarter for all the businesses.

Having said that, I think we -- I spoke about the personas and targeting the consumers in a very, very personalized way, ensuring that the throughputs come higher. We are trying to - so if you look at our businesses, I think that the one business where we need to up the game is private brand. And I think that whole piece we are driving. Also, we believe that there's a lot of momentum, which we have in Beauty and Beauty within Shoppers Stop as well, which we see as an important part of driving the business going forward.

So while the market condition can be tough, we have charted out whether at the product level or the marketing level or the category level, launch of new brands. We will also see launch of some new brands within Shoppers Stop in the coming quarters. So, I think there's a lot of work happening on the merchandise product marketing piece to drive the numbers.

Karunakaran: Sameer, Karuna here, Sameer. When Kavi was concluding the speech, he said that mid-single-digit growth. That is the overall growth and not LTL. I just want to clarify that.

Sameer Gupta: Yes, yes, that is for the fourth quarter, sir? Yes, I understand that. Thanks sir. Thanks for clarifying. And I would come back in the queue for any follow-ups. Thanks.

Moderator: Thank you. The next question is from the line of Nihal Mahesh Jham from Nuvama. Please ahead.

Nihal Mahesh Jham: Yes, thank you so much and good morning. Sir, my first question was, while you did highlight the fact about what could drive the improvement maybe in the coming quarters. Just taking a step back. During Q2, I think there was an expectation that with the spill over of Pujo and also with festive that one time performance was good, that we would see a decent quarter. But now at least on the comment even Q4 was not looking good. I'm assuming based on the data that you're seeing for the first 20 days of Jan.

Just to understand in your assessment of consumer sentiments, what is leading to this prolonged and delayed recovery where even after festive. Is it that the trends did not sustain for the rest of the quarter and even, say, going into Jan?

Kavindra Mishra: Yes. S Nihal, it's a great question. So, we are definitely seeing a shift in the consumer spend, people spending more for the travel or experiences rather than only buying for the product. So, I think that's a reality that we see at the industry level. Having said that, I think the important thing is, do -- are we able to engage our customers with experiences. And that's what where we spoke about doing 118 events. Or in our commentary, we spoke about more than 2 lakh or 2,66,000 odd Beauty makeover.

So, I think there are ways in which we can engage with the customer and drive it. Specifically coming to the Q3 performance, we had an inkling of -- the plans which we had were for a 4% to 5% LTL. I think that's the commentary which we had talked about when we spoke last and we met last. During the festive, actually, we were able to play on that piece. But I think December, where winter plays a very, very important part as a base that is something which was very, very challenging.

For all of us because winter is a big base in terms of layering, in terms of the ASPs, which can grow higher. Having said that, while the market has been soft, when we speak to brands, I think the clarity is that we continue to outperform the market. So, if we talk to

brands and we see how we as Shoppers perform, as a chain. I think in a lot of cases, we are hearing that the performance of us as a channel is far better going.

Also, if I look at, I think on a data point and it's good to share with the team here. That the premium portfolio in Q3 grew by 6% like-for-like. And we will keep on doubling down and making an account of differentiation as a departmental store, which I think is something which is very, very unique to Shoppers and our customers. And this premiumization is being done not only in one category, so you must have seen the number of launches.

And I would love Biju also to answer some part of it on what he is doing on the premiumization bit. But talking about beauty pieces or non-apps or apparel, I think we are upping up the game there. And I would just ask Biju to also speak a little bit about what we are doing to tie business.

Biju Kassim:

Yes, hello Nihal. This is Biju here. So, just to complement what Kavi mentioned. Clearly, as a destination shopper stop is having some of the most powerful iconic brands. And particularly from a Beauty standpoint, we have been able to introduce a very powerful brand such as NARS and Bath and Body into the ecosystem. And you will continue to see this journey. And engagement has been very, very central to our customer-specific approach.

And that is something we did, and we are doing it with a lot of mastery. We did 2,66,000 makeovers and 138 Masterclass in the quarter, which was a significant number. So, all these would really help us to continue the premiumization journey, which in turn is going to get us better numbers going forward.

Nihal Mahesh Jham:

Sure, that will help. My second question was on the private label, not Intune for the Shoppers Stop format itself. We mention that the reduction in inventory was primarily the priorities when you're talking about inventory. And a related question on the private label which is that if we are going to premiumize our portfolio in terms of the kind of brands you get, does that, in a way, change the customer profile and actually put a lid in terms of the share of private labels in the future for Shoppers Stop as a format?

Karunakaran:

Nihal, are you talking about the reduction in inventory or you want to know what is it like? I mean, your voice was not clear at the time?

Nihal Mahesh Jham:

I'm so sorry. I was asking that just to clarify, was the reduction in inventory that you mentioned from March, primarily in the private label business, I was not able to get that part.

Karunakaran:

That's right. We have reduced the private label inventory. What we bought for both the autumn winter and spring summer for this year, we have reduced it close to INR75 crores to INR80 crores, Nihal. You're right.

Nihal Mahesh Jham: And just one final question on private labels. Was that, with the effort of wanting to premiumize say with the kind of brands that we get and assuming the customers that come and also change. Is it that incrementally, the share of private label actually gets a lift because the customer working in is more premium and maybe that in a way limits the kind of accretion you could see on the private label side?

Kavindra Mishra: Nihal, it's a great question, but I think the answer lies in the success of Indian wear. If private label has done well, one, it is not considered as a label, but it's considered as a brand. If the private brands have done well, we talk about it. We do the same thing which a brand needs to be done. We create a chemistry around it. We give a light to it. The moment you start doing that stuff, you will see that the private brands can have a better throughput in an environment where you have the best national brand fitting.

We have done that in case of Kashish. And I see there's no reason why we can't replicate it in case of other brands if we position them well and execute them well. So, I see totally there is no issue there.

Nihal Mahesh Jham: Sure, point to note. I'll note. Thank you so much. And wish you all the best.

Moderator: Thank you. The next question is from the line of Varun Singh from ICICI Securities. Please go ahead.

Varun Singh: Thanks for taking up my questions. My first question is on private brands. Would we say that in women's western wear and menswear, we are getting positioning right in this segment? So, I mean, sir, if you can give more clarity with regards to what exactly do we mean by getting positioning right? Is it getting pricing, right? Is it about the customer segment? Is it about narrowing down the categories in women's western wear where we are present? So, what exactly we are in terms of positioning getting right in these two segments?

Kavindra Mishra: Yes, great question. Just to give you a sense, and it's a question where I can actually -- we can engage and discuss this over for the next three, four hours. But let me take you through 1 example so that it gives a sense of what we are looking. And let me talk about menswear, I think that's something which is very natural to talk about.

Let's look at when the entire menswear category positioning happened, there used to be - part of the business, there is to be a denim part of the business, there used to be a casual part of the business, and there is to be a formal part of the business. That's how initially in India, menswear brand got structured. Now if you look at us, we have a LIFE [casual] and a LIFE [Jeans], but in today's world, if you go and reach out to the customers.

Moderator: Sorry, sir, can you repeat your last line, please? The voice broke.

Kavindra Mishra: So, let me just go back. If you look at our portfolio, we have got a LIFE jeans and a LIFE casual. And I'm taking this 1 example to show that how -- what is the direction of our

thinking. Do you actually think that the customers differentiate between LIFE jeans and LIFE casual? Or jeans is now part of the casual lifestyle. That's what I was trying to tell Varun, that we are trying to answer this basic question and put that whole structure right.

Can we make a casual brand, which also has jeans as a part of it? So that is one. Second, if it becomes a casual brand, which has jeans a part of it, what is that brand? Is that brand, for example, for sake of better name? Is it Jack and Jones? Is it Pepe? What is it? So, I think that is the kind of discussion and work we are doing as we speak on that Varun. And then what kind of persona who comes to our store gets attracted to this brand? So that's why I'm saying the way when these brands are structured versus how the consumers have changed, we need to be in line with that.

And that is the work we are trying to do. And when we define the position, then we also talk about we don't need to do 180 days buying cycle. We can actually do 60 days. There is a lot of learning, which even with a smaller business of Intune we have. So, we don't need to do 180 days buying cycle. Can we have more frequent drops?

Can we do the freshness? Can we put the supply chain in a certain way that we actually talk about freshening up the merchandise every 45 days? So, I think those are the kind of things which are working on Varun. It's something which is at two levels. One is strategic, other is operational. As we speak, that correction is happening and you will see the full impact of it in fall winter.

Varun Singh:

Got it. So, if I understood it correctly, maybe we are trying to do something with regards to the category itself. I mean, as you mentioned about LIFE jeans and LIFE casual as maybe making. I mean not making it sharper with regards to definition and maybe not be present into too many categories. So, is that understanding, correct?

Kavindra Mishra:

So, for example, Varun, when as a customer, what are the usage occasions you want to shop for, right? And do we have a specific brand to drive only that product usage for those occasions? That is the challenge, and that is the problem we are solving for.

Varun Singh:

So right, I understand. I mean, why I'm asking this question is because it has been multiple years since we would have as a company invested money, resources, time, etcetera, to get the private label positioning correct and rightfully. Like as an analyst, I was also observing on the incremental steps that we would have executed to get the strategy part of it right.

But many a times I would wonder that what exactly we are getting wrong, maybe, you know, since so many quarters, years, etc. So, I mean, that makes me a little bit more worried.

I mean, I would think that is this more of inventory rationalisation as a problem or is this because of the choice of maybe not so rightful category where maybe brand has a larger

role to play compared to a private label. So, I mean, this absence of understanding creates little bit of confusion with regards to get the, you know, basically the question itself correct that what exactly are we missing on or what are we trying to fix to get the segment right.

Kavindra Mishra:

Yes. So, Varun, in our minds, we are very clear what we are trying to do. For every business and any kind of category, if your positioning is right, then the next steps become. So, first is the strategy and then is the execution. And I am just giving an example of menswear again. As long as your strategy is right and it's not something which you are talking, which is very different from what we have not done in a part of our business.

For example, in our kids wear and especially now Indian womenswear, those positionings are really, really good. So, if they're really good, they show in terms of the throughputs. I think the same exercise and a little bit of sharpening we have to do for menswear. And as I said, this is something which cannot be. This is something which is a which we can spend a lot of time discussing this point for us.

The starting piece is the positioning, which we are fixing. Once that is fixed, everything else becomes easier. And that's what I am working on with my team.

Varun Singh:

Got it, sir. And my second question is on Intune. On the PPT, you mentioned 65% full price sale. So, just wanted to understand that given this is a new format, how are we thinking about the end of season sale strategy per se with regards to how to discount the product, etc., discounting window percent of products that we need to sell on discount compared to fresh. So, how have we thought about the EOSS ongoing season? That's the second question.

Devang Parikh:

Thank you, Varun. I think to start with the number of full price sell through that we gave, that gives us a lot of confidence that, you know, in our first ever season, we've beaten our targets on full price sell through so much so that right now, you will find us to be possibly the only fashion player not on EOSS. Our products are also not very prone to obsolescence, right? I mean, you will find that, you know, they are for more casual occasions.

So as of now, we will not go very heavy on EOSS. We may have some liquidation as is the nature of the business and everyone needs to. But we don't see the need for a very aggressive EOSS in Intune as of now.

Varun Singh:

No, Sir. My question is on the policy front that end of season sale, what kind of strategy we want to live with in this format itself? A little bit long-term question not related to just what we are doing right now.

Devang Parikh:

So, as a policy, there will be some liquidation that will definitely happen. And in the long term also, we are not shying away from EOSS. Beyond that, I mean, not. Yes, it's a little

early for us as a brand to have a very well-defined long-term strategy. I mean, all I can say is that early signs are we don't need to be aggressive and we will definitely have liquidation.

And we will, Kavi already mentioned this a while back that, you know, our focus will more be on frequent drops and, you know, ensuring that there is always freshness on the floor. I don't think I can be more specific on long term EOSS strategy at this stage.

Varun Singh: Okay, Sir. Got it. That's it from my side. Thank you very much

Moderator: Thank you. We'll take the next question from the line of Gautam Rathi from CWC. Please go ahead.

Gautam Rathi: I just have one question with regards to the member base, right, loyalty member base, which we have. So, we have about 9.7-million-member base. But last time I remember you mentioned in a call, like last quarter call or before that is about 25% of them are active, right. First of all, can you help us understand how do you calculate this member base?

These are the whole life, like which is last 20 years base or is it just like the active ones, 9.7 million. And on top of that is if I just calculate 25%-member base, which is about 2.5 million customers.

This would mean that the customers which are buying four times. But the other customers are not buying at all because you said 78% of the revenue comes from that. Can you just help us understand this a bit better?

Karunakaran: This is the base of almost from the beginning of the Shopper's Stop. So that's 9.7. That's a base.

Kavindra Mishra: So, the last three years, Gautam, 33% of them have shopped in the last three years. And if you talk only about the last one year, 22% of them have been active and shopped, to give you a sense.

Gautam Rathi: Yes. So, the only other thing is you were trying to run programs around, you know, reactivating this member base, which are which are inactive, right, with personalized programs. Can you help us understand like where are we reach on this? How is it turning out? What is the kind of contributions we are seeing from those inactive members?

Kavindra Mishra: So, we are actually as a pilot doing a CLTV model, which we started in Q3 of this year. As a POC, we have taken two cities, which are Bombay and Delhi. I think the initial response has been significant. And what we are trying to do, Gautam, is that going forward, we are

deliberating that instead of a regular RFM, can we move into this kind of a model only, which is a CLTV model. So as we speak, the programs are running. We'll be able to share more because the program has got a life in terms of, you know, the cycle which is running.

So, I think maybe in the next call when we meet, we'll be able to give you a target versus achievement and where we are on that. But I think the whole work is happening on the CLTV model, where we are trying to reactivate this base. And we are looking at looking at the base, which is not only for the last one year, but till the last six years workshop.

Gautam Rathi: So, if I'm not wrong, these 9 million customers, a lot of them had come through the Citibank Shopper Stop first citizen card, right? And so, credit card was a very important part of it. So how many of those credit cards are -- all these customers who are there are all active with the credit card? Or are you looking at reactivating that strategy again, right? Because that was one of the biggest draws of that membership, right?

Karunakaran: You are right, Gautam. I mean, just to give you the numbers, Citibank, when they sold their business to Axis, they had 107,000 members active and they are continuing to remain active. They do buy between INR250 to INR300 crores within Shopper Stop.

And at the overall credit card level, they still buy at a significantly higher amount. These are all private numbers and I can't share anything beyond that. But to answer your question, yes, out of this 100,000, I'm reasonably confident the more than two thirds are active with shopper stop.

They are there right now. The cards are now shifted to Axis. We are working with Axis to now issue the Axis Bank co-brand card for these customers.

Gautam Rathi: So is my understanding right that out of 9 million, that is 20%, 33% who shopped in the last 3 years, 25% who shopped in the last 1 year. And only 100,000 are coming through that Citibank credit card, right? That's the way to think about it.

Karunakaran: Absolutely right. It may not be exactly 100,000. It can be slightly smaller than that, but you are right.

Gautam Rathi: Sure. Okay. And that is a much bigger ticket spend. So that is an option we are trying to explore in nature right now.

Moderator: The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity. My first question is with regards to the beauty distribution business. So I see you have already achieved INR77 crores sales for now. If you can also highlight what kind of profitability margins and EBITDA level we are making and some plans for the same going ahead?

Biju Kassim: Hi. Hello, Gaurav. The beauty distribution business has started off quite well. As you can imagine, to start with, some powerful brands talk about the potential of the partnership and the confidence that beauty brands globally have in Shopper Stop. And as we speak, our EBITDA margins, we are already profitable. And we are looking at looking at decent margins to come through.

And that would be a focus now is to bring the best of the expression of the brands for the discerning beauty customers in India. So, you know, we also disproportionately investing in the experience part. And I'm sure you would start to see significant amount of representation of our brands in the markets to come.

Karunakaran: Just to answer the question, as of now, we do have a single-digit EBITDA margins. Just remember that this is the first year of operation. And we also have a decent gross margin. So just to be give clarification, as we move along, we are reasonably confident we will not only substance this and probably increase the EBITDA margins and the volume that comes along.

Gaurav Jogani: Sir, just a follow-up on this. Is there a possibility in the future if not now, but two years, hence, to clock at low double-digit or high single-digit EBITDA margins as you scale up? So that is one. And other thing, as I mentioned about the experience that the beauty discerning. So, what our understanding was that you will be catering to the people who are selling these beauty brands across the country. So, if you can answer on both of these aspects?

Biju Kassim: Yes, absolutely. Your understanding is absolutely right. On the first part of it, we will definitely deliver the type of margins that you spoke about. With regards to the second part of the question, yes, again, we are distributors, so we import the brand and we make the brand available across every retailer in the country.

So, we talk about distribution into Nykaa, into Sephora, into Tira, into lifestyle, into Shopper Stop and whoever qualifies to represent the brand in the manner that the brand owners being fit. We will be engaging them and they are making it available across the country for all the customers.

Gaurav Jogani: And sir, my next question is with regards to the Intune's bit. I mean, Intune, we do understand that the sales per square feet would be somewhere around that INR14,000-odd per square feet. Now where we compare to some other player like Zudio and all who do INR20,000-plus per square feet. So as you scale up, do you see you also reaching in that area? Or given that our price points are at INR450-odd levels, probably we could remain in that INR15,000, INR16,000 per square feet mark. And also, if you can guide in terms of the margins that maybe two years, three years down the line, you are looking into this format?

Devang Parikh: Thank you, Gaurav. First of all, I think the SPF numbers that we've locked right now is only a starting point. If you ask me whether we have the confidence of going to a certain

number that's already delivered in the industry, I think I will do better than that in the long term. So, I think there is nothing that stops us from doing better.

Kavi did mention that, its early days and we are still learning from our customers, all those channels that we spoke of in the initial commentary. We are listening to our customers and we tailoring our assortment to meet their needs. I'm sure we will do better in SPF in the season to come. That was the first point.

You mentioned about margins. I think in the last investor call between Karuna and Kavi, they did mention about the fact that, there is a gradual ramp-up of margin that we will achieve as we scale. That narrative still holds true, and that's a constant endeavour for us. Where exactly we land, I think once we are more mature in terms of the network, we will come back to you with more tangible numbers.

Gaurav Jogani:

And sir, one last bit if I can squeeze. I mean store addition has been really good for us over the past couple of years. We've been adding around 10-12 departmental stores and a good number of beauty stores as well. However, if you see the overall top line growth, the top line growth has been in that mid-single-digit kind of a number. So where are -- where is the miss exactly? And how do you see this improving ahead given that we used to guide a mid-single-digit kind of an SSG, 7%, 8% kind of a growth from these store openings. So where is the miss in the entire mix off?

Karunakaran:

See, if you have seen there is an overall slowdown in the retail industry, which Kavi spoke in detail at the beginning of the conversation. So, the LTL itself is flat. And whatever growth we had during the quarter and whatever growth we expect in Q4 is primarily because of the store additions.

So, these are the -- I mean, once the retail sales pick up, we are reasonably confident of clocking the mid-single-digit growth for the like-for-like stores and also deliver the other KPIs. Just to inform you, most of the new stores, what we have opened, is as per the financial feasibility and delivering the ROCE, what we internally measure.

Gaurav Jogani:

Sir, the only question, given that, store number addition is also pretty good. I mean, if we look on a base of 100 departmental odd stores, we are adding around 10, 12 stores every year. So that itself is 10% addition. So, I understand in the first year, they would be not operating in the full capacity.

But in the following years, they should also contribute. So, the question was more in that context that -- is that the throughput per store is not reaching to the system average right now? And probably, once you see the recovery, even that should scale up along with the LTL recovery?

Kavindra Mishra:

So, Gaurav, I mean let me answer address this question. So, I think there are two parts of it. One is there's obviously the annualization impact. And as I rightly said, the stores in the

first year don't perform the same way. And the next year, store as in store which see the full year, the second full year, obviously, has a growth impact. That's one. Secondly, what we have also done, Gaurav, is the size of the stores, which we are opening now, are very different from the initial basis which we used to have. So, you typically look at it as a 25,000 to 30,000 we have. That's the zone in which we are opening stores now.

So, the earlier size stores, so even I am opening 10 more stores it doesn't mean 10% growth because of the sizing or the size at which we are trying to open is not the same. That's the second thing. Third, I think there is a very strong focus on shift on profitability, open better quality of stores, tighter stores.

And I think that's the way we are also changing our store identity as well. So strictly it's not a 10% kind of a thing is what we wanted to say. So typically, as Karuna pointed, are doing as per the feasibility and more importantly, the ROCE, which we expect them to do, they are delivering.

Gaurav Jogani:

Thank you for answering all the questions and all the best.

Moderator:

Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal. Please go ahead.

Aliasgar Shakir:

Yes, thanks for the opportunity. I have a couple of questions on Intune. So we have quite a strong target on the store addition, and we will do something about 165-odd store at FY'26 level. At the current run rate, should this contribute, in my understanding, close to about upwards of INR1,500 crores based on the current revenue per square feet that we are clocking? Discussion is coming more from the point of view that, I mean, Shoppers Stop historically, as the company has not added such an aggressive store. So, what is your perspective in terms of the revenue growth?

And also, in terms of the opportunity and competition. This is now a space where we have seen all the large retailers quite aggressively growing. So how will the competition pan out and your sense on the opportunity? That's the first question. And I'll just have one more question here is in terms of the merchandise.

Some of the players -- other players in this value fashion space have some legacy in terms of a very large portfolio of private labels. We have typically been a company which is mostly operated through the third-party brands, except for our own Shoppers Stop label, which has been a very small contributor. And that, too, as you mentioned, in the recent past is, working around the positioning of the product and so on and so forth.

So, I mean, what is the capability we have internally built in Intune to, I mean, create that private label merchandise? While I know that your private label doesn't include this, but that capability in terms of designing everything so that we could give a unique and

expedite the customer and drive business over there? Those are my two questions. Thank you.

Devang Parikh:

Thank you, Aliasgar. Let me not put a stress on my memory and take the last part of your question first, right? In terms of how I am coexisting with all tough competition that exists in the market. I think last investor call, we did mention about how Intune's positioning is finding a sort of a niche in the entire space, right We are family centric. We are kids first. Our first two quarters have given us very, very strong confidence that the customers are reacting very favourably to our family orientation and our kid's presentation, right We are matching the sharpest price points, and we are upping the game on quality.

So, I think between these two factors, we have found our space. We are building on that space, and I don't see a reason for us to fight with anyone else in terms of market share. I think the market is very, very sub-penetrated, and I think we will all grow Intune for sure tend that is the confidence we all have on the table. So that's the part on competition and how we will grow within the competition, right.

You asked your last question, which is on how are we building the capability of delivering private label. I think I'll latch on to one point that Kavi said a while back. This is not charitable. This is a brand and the brand expects is doing its own merchandise. We also mentioned in another investor call before that the entire customer-facing team of Intune is separate. And even as we speak, once we've seen the success in the first 10 stores, we are gearing up very strongly in terms of our team structure needed to go on to the next year.

I think Kavi did mention that in his ending notes. A large part of that is being able to deliver the merchandise that our customers want. I think in the interest of time, I won't be able to go into finer details on how we are doing it? But I think it suffices to say that from coming summer '24, we will have freshness every month, right.

And given our product sell-through that I spoke on a while back; I think there's a lot of acceptance on what merchandise we put on the floor. So, I think both of these things put together, we should be doing well in terms of building the merchandise capability, right? That was the last part of your question.

Now I will jog my memory on the first, right? You mentioned about long-term sales growth and where we will -- where Intune will go. I think we are 8 months old for the time being, for us to comment on a 3, 4-year horizon would be a little premature.

I will echo what Kavi has said in his introductory note that the confidence levels on Intune is scaling up faster than the company and expectations are very high. And we think we will keep on upping the game on the numbers quarter-on-quarter. I'm not even looking at year-on-year right now. We are too small to look at year-on-year. I think I'll stay there. Have I missed on something?

- Aliasgar Shakir:** No, I think that was quite useful in detail. Thank you so much for your answers.
- Moderator:** Thank you. The next question is from the line of Tejas Shah from Avendus Spark. Please go ahead.
- Tejas Shah:** Hi. Thanks for the opportunity, just a couple of questions. Sir, full price sales through of 65% for retail, how should we see this number? Like in our understanding fast fashion brands should have higher number of full price sales through, or is this a very competitive number as per your expectations?
- Kavindra Mishra:** Okay. Tejas, thank you for the question. I think fashion in itself, 65% full price sell through is a good number. I think over the years, anyone who's worked long-term in fashion industry will tell you that's kind of a magical number. 65% is where you achieve the balance of profitability and avoiding loss of sales. And the minute you go very high in full price sell through, you can be assured that there is demand, which is not being met.
- Having said that, 65% is a starting point, this was also with the staggered launch of the stores that we had, with all the early learnings that we will have, right? I mean in the first season; we will not get all customer expectations right.
- So, in my mind, 65% is fairly out there at the top. It's also echoed in my comment to one of the previous questions. We are not on sales in the first month. I think that resonates with the kind of confidence we have on this number being good, and we will keep building on it.
- Tejas Shah:** Sure. And sir, second. Just on your observation on consumer behaviour where they are spending more on travel. Now I'm assuming the people who are spending on travel are essentially our customer base. They must be spending on more luggage, more holiday apparels, more beauty products while they are travelling.
- So, for this cohort, we should be the most relevant brand. So, I'm just like not able to reconcile that why if the sale cohort is spending somewhere else and associated categories are housed under our brand, why are we not participating in that or not kind of reflecting that kind of numbers?
- Kavindra Mishra:** So Tejas a lot of those categories are actually doing well for us. For Beauty, we spoke about fragrance doing well. Non-apparel, we spoke about the non-apparel business, the hand bags, those categories make up, Indian wear. So I think a lot of those categories are doing well for us, where the industry has struggled and that's what we are seeing across are part of western womenswear. And that can also be a function of the quarter from which we are coming out from.
- And menswear has also been a little tepid. But we have seen, for example, menswear apparel casual doing better. Kids and girls doing better, Indianwear doing better, hand bags, so all those categories are doing well for us.

Tejas Shah: And if I may squeeze in one last. So, we have data of last many years, whenever we kind of get into such cycle and the consumer sentiment feels for us, usually, how much time does it take to turn it around?

Kavindra Mishra: So literally, if you see -- and not refer only about Shoppers as an industry. It is now, I think, the fourth or fifth quarter when we are seeing a slowdown, right? So, I think we are seeing a completion of that entire cycle. We are quite hopeful that it should start picking up from FY '25.

In fact, a case in point, festive -- I mean, we spoke about 4% LTL growth during festive. Actually, if I exclude the match days and the non-match days and I didn't want it to go into that math. On the non-match days, which was basically all the Sundays, we actually were growing with 8% LTL.

So, it's like really, really strong. So, I think somewhere when the user location comes in, the demand picks up. We are also seeing that there are a lot of marriages in the coming months. So hopefully that should trigger the revival pickup.

Tejas Shah: That's all from my side. Thanks.

Karunakaran: Thank you, Tejas.

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

Shalini Gupta: Good morning, sir. I have two questions. One, you had spoken about the deduction in gross margins in the quarter briefly. Can you touch upon that? And secondly, why is the other income so low? This again, you touched upon if you can talk about these two?

Karunakaran: Okay. Thanks, Shalini. That's a great question. I will answer the last question. The other income is lower because last year, we had a onetime GST interest reversal, which we have included in other income of approximately INR17 crores. And that's the reason, if you exclude the INR17 crores, our other income has increased this quarter. That's a onetime income.

When we spoke last time, we have qualified that. And when we publish the results also, we have qualified that. Coming back to this year, the gross margins are lower because again, Kavi spoke in detail. We have provided between INR9 crores to INR10 crores on private brand obsolescence. Basically almost 60 basis points on the gross margins.

In addition to that, we also had higher offers in private brands that also impacted the overall gross margins. Other than the private brand, our gross margins versus last year have been higher.

Shalini Gupta: Okay. Sir, can you just repeat your reason why your gross margins were lower, please?

Karunakaran: Yes. I said that we have made INR9 crores to INR10 crores provision for obsolescence this quarter on private brand. That almost contributed 63 basis points on the gross margin. Plus, we had higher discounts and offers on private brand for both festive and end-of-season sales. That also impacted the overall margin because our gross margin realization in private brand has been lower than last year.

Shalini Gupta: Yes, great. Thank you. That's all from me. Thank you.

Karunakaran: Thanks, Shalini.

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

Sameer Gupta: On the Beauty distribution portion, firstly, out of the total brands on board, are all of them exclusive arrangements with Shoppers Stop to distribute in India? Or they can be non-exclusive and find other partners also? And specifically on the distribution part, do we have any medium-term targets in terms of sales profitability?

I understand you mentioned low single digit to high double digit. But any number that you can put currently? I think you've locked the INR2 crores EBITDA, if I do a console minus standalone. So that's a pretty impressive number. But just going forward, any targets you can share on this?

Karunakaran: Absolutely. Let me take one by one. Yes, we do have exclusive distribution as of now on all the products we are distributing in global beauty. The large three products are L'Oréal International division, which we call LID, Clarins and of course, there are smaller brands also. So to answer your question, we have an exclusive distribution within India. And just now by spoke about like who are the retailers, how we are distributing and other things.

Second, again, we spoke about the sales and the profitability. During the quarter, we recorded INR39 crores. And for the year-to-date, we recorded INR77 crores. And as I said, we are at a single digit EBITDA. Please remember that this is the first year of operation. And in the first year of operation, including all the costs, that is, the employee cost, our SO cost, and everything put together, we are still profitable.

And to answer your last question, do we have a strategy? Yes, we have a strategy. Yes, we have a strategy. Do we have internally the numbers, what's going to be for the next 2, 3 years? Yes, we do have. And do we have the margins, both gross margin and EBITDA margins? Of course, we have. So, we do have all these numbers.

Sameer Gupta: Can you share whatever is possible, sir?

Karunakaran: No, not right now. I mean, because we are internally -- let's -- you know pretty well, we don't give guidance for the future years. But we did mention to that, right? The global distribution business will have a disproportionate growth next year. I mean, to give a

broad number, we should clock in between INR300 crores to INR400 crores revenue next year and we should have a high single-digit EBITDA margin.

Sameer Gupta: Great, sir. That is helpful. Just one more question, if I can squeeze in. So, this LTL of minus 1% this quarter, can you see any material difference between, let's say, the LTL of new and recently renovated stores in the system versus the rest of the system? Is there anything you can call out, not maybe specific to the quarter, but over a period of time, has there been a broad divergence in these 2 cohorts?

Kavindra Mishra: So, see, if you look at the LTL across the board, obviously, the stores which have opened and have not been completely analyzed. So, I think those are the ones which have done better. So, if - x is the baseline, the newer stores have grown by more than 5% of that in terms of retail, just to give you a number.

Sameer Gupta: And the renovated ones?

Kavindra Mishra: So more or less the trend is very similar.

Sameer Gupta: Sir, just to understand this more if. If let's say we were to renovate the whole of the system, let's say, over a phased manner in 3, 4 years, can that be a decent kicker for LTL going forward?

Kavindra Mishra: So, we are doing that as we speak. So, we are in the process of forming of the budget for the coming year. And we are looking at renovating close to 7 to 8 stores in the coming years. So, I think that process is on as we speak -- because what's happening is that as markets mature and you need to also, as we are premiumizing, we are getting newer brand, the look and the feel has to become better. So that process is on and Sameer, we are very, very buoyant on that. And that FY '25, 75% of our stores will be the next gen stores, which we are working on.

Sameer Gupta: 75% in by FY '25?

Kavindra Mishra: Yes.

Sameer Gupta: Great, sir. That's all from me. Thanks again.

Kavindra Mishra: Thank you.

Moderator: Thank you. Ladies and gentlemen, with that, we conclude our question-and-answer session. Thank you, members of the management. On behalf of Shoppers Stop Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.