SEC/11/2025-26 May 06, 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 – Q4 25

We refer to the analyst / investors conference call, on **Wednesday, April 30, 2025 11:00 a.m. IST** to discuss the corporate performance for the quarter and year ended March 31, 2025 ("Earnings Conference Call") and our letter in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ref. no. SEC/04/2025-26 dated April 24, 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 SANWARMAL SAINI
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“Shoppers Stop Limited

Q4 FY '25 Earnings Conference Call”

April 30, 2025

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 **–** Dentsu Creatives

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '25 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 joint the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Mamta Samat from Dentsu Creatives. Thank you, and over to you, Ms. Samat.

Mamta Samat: Good morning, and thank you all for joining us on the Shoppers Stop Q4 FY '25 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 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, and thank you, Michelle. Hi. Good morning, everyone, and hope you all are doing well. I have with me Karuna, our CFO; Jaiprakash, our FP&A lead; and Rohit, our IR lead with me. We will also have Devang, our INTUNE lead at a later stage. The investor presentation is available on our corporate website and on stock exchange website. I request you to go through the same if we're not already done.

Similar to last quarter, we have a few Slides with immersive experiences on our different campaigns. I would like to begin by sharing a perspective on the operating environment during the quarter, followed by our performance and the strategic objectives going forward. The overall sentiment improved as we progress despite the continuous advancement of end-of-season sale every year.

I'm sure you would have viewed the Slides of H1 versus H2 performance of Shoppers Stop, which we had kept at the beginning of the investor deck. Especially for Shoppers, the secular trend of premiumization remained resilient with premium products growing ahead. This also indicates that consumer needs and aspirations to upgrade continue to evolve and the aspirations remain high. Let me cover this quarter's performance with key KPI metrics.

First, let me start with customer entry. There has been a steady progress in the customer entry in the last 6 months. We had a marginal decline of 4% in March as against 9% decline at the beginning of the year. As I speak in April, we are witnessing customer entry at the same level as last year of April.

Our ATV has been consistently increasing with 8% growth in quarter 4. In the last 2 years, our ATV has increased by 17% and with 8% CAGR. Similar to ATV, our ASP has also increased by 4% and IPT by 4%. On the financial performance, non-GAAP, sales increased by 4% with 3% like-for-like.

Our EBITDA had a marginal growth of 2%. Our sales growth has been consistent in Departmental stores and profitability trends are improving. Our new business INTUNE had a tough January and February month due to the overall slowness in value fashion and that partly offset the profit otherwise we would have made this quarter.

On the GAAP accounts, due to the large store opening, particularly in INTUNE, we have additional depreciation and interest as per IndAS 116 of INR15 crores. If you need any specific details, Karuna can provide that post my speech. We had a marginal decline in Beauty segment for the first time in the last 8 quarters. This is primarily due to aggressive offers in the market on value and masstige products. We preferred full price sales with sustained profitability.

We opened 21 stores, which includes 15 INTUNE stores, 5 Departmental stores and 1 Beauty store. For the full year, we have opened 73 stores comprising of 52 INTUNE, 9 Department, 7 Beauty and 5 HomeStop stores. In summary, we invested Rs 52 crores for the quarter and Rs160 crores for the full year in capex and Rs 32 crores in deposits for the full year.

For the full year, we reported revenue of Rs 5,427 crores as an increase of 4% over last year. Our Beauty reported sales of Rs 907 crores is an increase of 2% and private brands reported sales of Rs 639 crores declined by 7% versus FY '24, though for Q4, it remained flat. For the full year, we reported an EBITDA of Rs 183 crores, PBT of Rs 18 crores and PAT of Rs 23 crores.

Our margins have increased in private brands, helping us to achieve an increase in margins by 730 bps in Q4 and 530 bps for the full year. This is primarily due to increased premiumness, sharpness in positioning and better inventory control. In the last 2 quarters, our Departmental stores business have outperformed with improvements in customer entries and other KPIs.

I'm extremely glad to share that the largest format has managed to achieve growth in all parameters. I've been saying for the last 2, 3 quarters that we are rationalizing costs. At the like-to-like level in Departmental stores, the costs are largely contained, except marginal increase in rent.

We have taken a conservative view of some of the expenses while creating tax provisions. However, post the tax audits and based on past assessments, we are sure that these expenses can be claimed as reduction. And consequently, we have onetime favourable impact in creating deferred tax assets of Rs 7 crores, resulting in negative tax for this month.

I've covered the performance and KPIs. Let me now dwell on premiumization and marketing campaigns, which resulted in enormous success for FY '25, especially in the second half. And I'm confident this will yield further improvement in overall revenue and other KPIs in FY '26, too.

Our first key driver for a momentous change in India's consumer landscape is undergoing is a remarkable transformation driven by demographic changes, economic growth and evolving aspirations. The shift towards premiumization reflects deep socioeconomic trends as consumers transition from prioritizing value for money to embracing quality, innovation and aspirational products.

We at Shoppers recognize this 18 months back and have constantly increased our premiumization in our stores through offering to customers. Changing the store image to our customers as one-stop destination to purchase all the premium products from apparels to non-apparel.

We approach proration in following ways, personalized campaigns that align with premium customers' preferences and habits, diversified the product range with new product lines and opportunity categories and improved customer journey to the premium seeking customer. Cross-selling to increase the overall basket size and lastly, adjust promotional strategies to align customer preferences. This has resulted in 2 significant changes for us.

On ASP and ATV, as I spoke a few minutes back, has increased significantly. I also request you to please go through the Page 4 and 5 of the investor deck, wherein we had listed the premium products listed in the last 24 months in Shoppers Stop.

I also want to add that there are 2 marketing campaigns, which are extremely successful in FY '25. First being India Weds Shoppers Stop, a comprehensive initiative offering a wide range of wedding created products and services. The campaign aims to be a one-stop destination for all wedding-related shopping needs catering to bride, grooms and guests.

It includes a curated collection of wedding attire, beauty products, fragrances, gifts as well as personalized assistance through wedding concierge services. We enrolled 25,000 customers with an aggregate sale of Rs 106 crores in the last quarter and ATV of Rs 44,000.

Gifts of Love, a campaign is a selection of gifts suitable for various occasions to express affection. The campaign focuses on celebrating different types of love with a diverse range of products available online and in-store, including apparel, beauty, home decor and accessories.

Other than this, we also collaborated with Zee TV for Shaadi Mubarak show the show which airs on &TV on ZEE5, features influencer couples and highlight Shoppers Stop as the go-to destination for wedding shopping. The collection includes outfits and gifts and viewers are encouraged to visit Shoppers Stop stores or online to explore the offerings.

Let me talk about the capital allocation. Overall, for the year, we had invested Rs 192 crores in fixed assets and deposits and another Rs 126 crores in working capital, primarily in our businesses of INTUNE and Beauty. This has resulted in an increased borrowing of Rs 137 crores during the year. The increased borrowings are primarily to finance our new business working capital visa INTUNE and Global SSBeauty, besides a few brands which we have onboarded at Shoppers.

However, we are trying to reduce the working capital by INR100 crores and for FY '26, our entire capex will be funded through internal accrual. We expect the borrowing to reduce significantly by the end of this fiscal.

First Citizen. Our First Citizen contributed 82% with 12.3 million First Citizen customers. Our repeat customers are now 69%, and it grew by 3.3% versus last year. As you observed, the contribution from FC customers have been consistently at 80% throughout the year. Our Premium Black Card customers contributed 19% with a growth of 38%.

We had the highest enrolments of First Citizen Silver Card during the quarter. We had several programs from our First Citizen members to engage them and have a unique customer experience. This with increased customer entry augurs well for future growth and the confidence of customers in Shoppers Stop.

Personal Shoppers. Our Personal Shoppers continue to contribute 24% of total sales with an increase of 48%. Our faith in investing in this program have yielded satisfactory results with the sales from Personal Shoppers exceeding Rs 1,000 crores last fiscal. As we are on the journey of premiumization of customer experience, we believe Personal Shoppers is an important asset to drive revenue and experience both.

Department formats. Let me talk about Shoppers Stop first. I've discussed the of our Departmental Store. Our Malad store post renovation has improved its productivity significantly. As I speak to you, we are engaging with a number of international brands to have in our Departmental stores to increase the premium quotient. Our Department Store for the quarter had a strong like-for-like growth of 3.5%.

The investments made in marketing campaigns, renovations and contemporary brands continue to have positive results, such as 2 quarters of mid-LFL profitable growth. We are witnessing revival in Departmental stores with increased customer entry and conversion due to our unique customer journey, a key pillar of profitable growth for FY '25 and is expected to increase in FY '26. As I said before, for the last 2 consecutive quarters, this format has achieved all the KPIs.

Beauty. On a stand-alone basis, Beauty revenue declined by 6%, but at consolidated levels, it has increased by 3%. At a consolidated level, our Beauty sales were at Rs 264 crores for the quarter. And for the full year, it was approximately Rs 1,100 crores. We had several customer engagements programs such as Beauty Carnival in Inorbit Malad, 10 beauty soirée events and beauty workshops. In addition to that, we have increased our social media presence on YouTube, Instagram and all the relevant channels.

Let me talk about Global SSBeauty. Our 100% subsidiary started 2 years back has reported nearly 100% increase in sales this year with a sales of Rs 236 crores with EBITDA increasing by 3x. We've added 4 boutique EBOs of the work, including 3 for Armani and 1 store for Prada, besides POS counter with our retail partners. We have also partnered with Zepto to ensure that these products are available in shortest time and Wellness Forever for wider distribution.

Let me talk about INTUNE now. We had a challenging Q4 for INTUNE. We had high offers in January leading to lower margins. You are aware that this is the first full year of INTUNE, and we'll be able to do the course collection as we increase the sales. As I said before, during the quarter, we opened 15 stores and plan to open another 12 stores during this quarter.

I reiterate that we are staying firm and we will continue to invest in INTUNE. We believe that there are significant opportunities in value fashion as they are largely unorganized and untapped. We are fairly confident that the fiscal 2026 will be a stronger story. We also -- and I think Devang will talk about it, that how the business has grown and how the business has picked up in the last 2 months.

Now we'll talk about the outlook for the coming year. I firmly believe that our industry is expected to maintain the growth momentum in 2025, driven by rising disposable incomes, urbanization and a growing middle class. We'll focus on premiumization, focus on customer-centric experiences and increasing adoption of technology, particularly artificial intelligence and automation.

IMD has forecasted a good monsoon, which augurs growth momentum for our industry. I believe from Q2 retail growth should gain further momentum. We'll focus on key strategic pillars such as brands, beauty and expansion. We are confident our Beauty business will continue to grow and our 100% subsidiary, Global SSBeauty, will have another record year in FY '26.

We are planning to expand this fiscal by opening 6 to 7 Departmental stores and with market conditions improving close to 40 to 60 INTUNE stores. At the operational level, we will also invest in marketing through our campaigns to drive both our short- and long-term strategic priorities as our past results have been very encouraging. We are continuously rationalizing the cost, and we are confident we'll sustain this year as well.

I will conclude with this now and take the questions from you. Thank you.

Moderator: Thank you very much, sir. We will now begin with the question and answer session. The first question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: Sir, I just wanted to understand on the margin bit. Now this year, if I look at the other expenses line item, it's seen a 20% increase. And this year has not been a very large year in terms of area expansion. So even if I look at overall area, including INTUNE, it's up just 5%. So just wanted to understand what is the nature of these other expenses over the year? And can we see a moderation going forward and some bit of color on that?

Karunakaran M.: I think you are referring the GAAP numbers. I mean if you refer to non-GAAP numbers, the increase is 10 percentage, primarily coming on your new businesses. I mean, more than half of them is coming in on INTUNE businesses. That's the reason there's an increase of expenses in 10 percentage.

As Kavi said, at the LFL level in the departmental store, we are largely flat, probably 1% or 2% increase, and that is also coming from the departmental stores. I mean, just to conclude, the increase is primarily because of the new businesses what we have.

Sameer Gupta: Got it, sir. So just a follow-up on that. So this year, full year is around 3%, even if I look at the non-GAAP margin overall, and I don't include other income in this. So there could be some differences in our both calculations. But how do you see this going forward? Let's say, the LFL growth pickup, which is contingent on overall demand, that doesn't happen. Do you see further moderation in this number? Or we are good at this number, at least maintaining this number even if it's a soft year for us?

Karunakaran M.: Sameer, it's a very hypothetical question, Sameer. We do expect a decent LFL growth this year. As I said, I think, again, Kavi said during the entire -- we have rationalized all the cost. Last year was -- we had a good reduction in the cost. And if something doesn't come up to the expectations, we will go back to the drawing board, and then we'll see what best we can do about that. But at the cost level, we are almost flat versus last year.

Kavindra Mishra: And just to add what Karuna has said, if you look at the first half versus second half performance for Shoppers Stop and especially for the box, we can really see a lot of momentum happening in terms of the like-for-like and the customer entry is also going in. So I think we are in a very good -- in the right way in which we should be in our business.

Sameer Gupta: Got it. One last, if I may squeeze in. So INTUNE, I heard you have mentioned 40 to 60 store additions in FY '26. Now when we started FY '25, we had planned 75-plus stores, if I remember correctly. We have ended up with some 50 stores. Going forward, the guidance is around 40 to 60. So is it because -- I mean, our initial calibration, we had assumed things which haven't panned out. Are there logistical constraints in opening that many stores? Just wanted to understand.

Devang Parikh: Thank you, Sameer, for the question. First of all, the FY '25 closure was more an environment constraint. I think we were all aware of the environmental limitations that were put on the NCR territory as far as construction was concerned. That set us back by 45 days, which is why we ended at a few stores short of what our estimate was. Otherwise, the pace continued consistently throughout the year.

Going forward also, the intention is now we've got a strong network of stores, and we have our job cut out in terms of improving productivity of operating stores and incorporating our learnings on an ongoing basis. So that's what we are doing. While at a management level, we stay committed to expanding INTUNE at a fast pace.

So I think Kavi mentioned 40 to 60 stores this year. And I think that number does not have a constraint of getting increased in the middle of the year as the outlook improves. So I think 40 to 60 is the bare minimum expectation that the management has put. There is no upper limit to how many stores we will open. I hope that addresses your concern.

Moderator: We'll take the next question from the line of Gaurav Jogani from JM Financial.

Gaurav Jogani: Sir, my first question again is with regards to the margins. So by margins, if I put Sameer's question the other way around, hypothetically, if we do achieve a mid-single-digit kind of SSSG for the coming year, that is FY '26, what kind of margins at least can we expect given you already worked so much on cost and then the other environment also kind of picks up. So what kind of margins would you be targeting over the next couple of years?

Karunakaran M.: We would be targeting slightly higher than mid-level EBITDA margins. Again, I'm talking about non-EBITDA Gaurav -- non-GAAP sorry.

Gaurav Jogani: Sure, sir. And this would be, sir, largely driven by the leverage benefits, right?

Karunakaran M.: Absolutely right. It will be primarily driven by the leverage benefits, you are spot on.

Gaurav Jogani: Okay. And sir, my second question is with regards to INTUNE. I mean I did hear in the opening remarks, you mentioned that due to the higher discounting, the profitability in INTUNE was impacted. But in general, also would like to understand your perspective of the overall environment because if you look at the other value apparel retailers, they have reported very strong SSG growth numbers. In fact, the store additions have also remained strong over the last quarter as well. So, any differentiation that we see? What is the reason for the same here?

Devang Parikh: Thank you, Gaurav. I think if you look at the 71-store network that INTUNE has, the majority of those stores are less than 6 months old. And when we try and break this down into stores which are more than 1 year old, more than 6 months old, and less than 6 months old, there is a very clear trend line of improving productivity that we see.

So I think the broader sense that you have of the value fashion retail, we are also seeing. It's just that our network average age is a lot younger than what the mature brands have. That is point number one.

And point number two, I think pertaining to the outlook, we are also equally confident of INTUNE matching, if not beating the industry standards. I think Kavi also echoed that in his initial comments.

Gaurav Jogani: Sure. So given that by next year, a good chunk of your stores will be completing a year. And given the overall momentum that we are seeing in the value fashion, there is a high expectation of at least high single-digit to low double-digit kind of an SSG. Would you echo with that sentiment? Or it would be any different for you?

Devang Parikh: No, we would. I think that's what we are seeing also. I think as we age, the LFL growth will become more and more relevant for us, and we are seeing the trend of older stores becoming much better as they age. So I think I echo that sentiment wholeheartedly.

Gaurav Jogani: Okay. And just lastly, again, on I, if you can throw out what kind of revenue per square feet numbers you would be clocking in stores at least, which are 6 months or older?

Devang Parikh: So older stores, Gaurav, are north of 10,000 SPF on an annualized run rate.

Moderator: We take the next question from the line of Ankit Kedia from PhillipCapital.

Ankit Kedia: My first question is on the departmental stores opening. Initially, last year, we had guided for 12 to 15 stores opening. We ended with 9 stores and we closed 9 stores. Now FY '26, we are guiding 6 gross stores opening. And I'm assuming there will be 2, 3 more store closures. So again, we will be ending up at 3 or 4 stores opening, which is less than 4% of area addition.

And on that, if you are talking of 4%, 5% SSG growth, the growth in departmental stores will be single-digit. Is that a good understanding despite premiumizing, footfalls are still weak and ATVs are increasing, KPIs are doing better, but the growth is going to be single digit in department store?

Kavindra Mishra: Yes. I think, Ankit, see, as we mentioned, the KPIs are all looking good. My sense is that the customer entries have made a big U-turn. So, from where we were at the start of the year, we have actually turned it completely around. And April, as we speak, would be a 0% or a little bit in positive.

In terms of number of opening of stores, we are guiding at 6 to 7. We are always open to any opportunistic thing. But I think we just want to be very careful that the departmental store business for us is a profitable growth channel. So while we are investing aggressively in Beauty and INTUNE.

The profit should be thrown by the departmental stores. So I'm not worried on that extent. Also, what we are trying to do is and as we speak, most of our bulk of our store closures have already been done. So you will see the positive impact of that coming in the profitability as well.

So I think the right way and if some great store comes in because we are also because departmental stores being departmental stores and big projects, we are also at times hampered by the availability of the right location, right mall. So I think fundamentally, because this piece is doing well, we are not limiting it. But the visibility right now in terms of what we can open for sure is this.

Ankit Kedia: Just a follow-up on that. If I look at Westside, they opened 40 stores with an average incremental store size of 30,000 square feet. So, what is the difference between their stores and our store? And why are they getting availability?

Is the rental difference, or we are looking only at malls and they are looking at high street locations, and we are adverse for going to high street given the view on captive footfalls of the mall? Or is it a balance sheet strength where we don't want to take debt and grow, and only from internal accruals, and hence, we are opening single-digit stores?

Kavindra Mishra: I think it's an amazing question, Ankit, but 2, 3 parts of it. One is the nature of the product which they sell versus us is very different. The price points at which we operate and Westside is very different. So the catchments are very different, number one.

Number two, we would prefer to open in the malls because I think that's something where we get the captive footfalls, and I think that's a very positive for us. And third, I think most importantly, as I said, Shoppers is a profitable growth business, and we will obviously look at the balance sheet and say that we want to grow through internal accruals and reduce our debt. I think that's a clear plan which we have for this year, and we would like to work around that.

Ankit Kedia: Sure. My next question is for Devang. Devang, within the half - 1.5 years operation, we have closed some include stores as well. What is the learning which we have in the last 1.5 years on the store closures, which type of stores are working for us, be it malls, high street, Tier 2, metros? And incrementally, where is the addition coming? Because in 71 stores, we're already in 30 cities. So we have a good knowledge of Pan-India presence where we are. So, where will we incrementally add new stores?

Devang Parikh: Thanks, Ankit. Ankit, the learnings, as you said, are very clear and deep. So I think what we've seen is -- one good part for us is North, West and South, all the 3 regions where we have a strong presence. We are equally doing well in each region. So it doesn't come across as that a region is very good or very bad for us. That's a good starting point.

Secondly, we've seen that malls tend to be a lot better than high street or stand-alone stores for us. The gestation period is lower. So I think we've consciously tried to over-index malls. That's the second point.

The third point is on learnings around the store closures. So I think all the 3 store closures that we've had were predominantly catchments where organic walk-in flow was very, very low. And even though internal efficiencies were significantly better than the average efficiencies that INTUNE stores have, the cost-benefit analysis of pumping in money to get bare minimum number of walk-ins was just not making sense.

So I think going forward also, we will be ruthless about where we don't see the light at the end of the tunnel in terms of organic flow of walk-ins, we will take hard calls. So these were the overall learnings. I hope this addresses some of your questions.

Ankit Kedia: Sure. And just the last one, if I may, on inventory. How is our inventory in INTUNE? Typically, we are working on how many turns at the store level? And from a supply chain perspective, because some of the other retailers are having weekly drops, their turns are more than 1 a month. So just wanted to understand that on INTUNE, how is that moving?

Devang Parikh: Yes. So I think from the very beginning, what we've used as a guidance is a 6-week cover in the stores and barring some blips on overall demand up and down, that guidance still holds on. As far as freshness -- I mean, as far as the movement of turns is concerned, I think we've also mentioned in the deck that we started doing weekly fashion drops. And I think that's something that this format needs to do.

And we are seeing a significant improvement in the initial throughput of new launches now that we've got the cadence of weekly fashion. So I think 6 weeks at a store level is the guidance. We are more or less there unless there's a bad month where on virtue of a lower sale, the cover shoots up. But in absolute terms, the inventory at the store is pretty much what we intended for it to be from the beginning.

Moderator: We'll take the next question from the line of Varun Singh from Alpha Accurate Advisors.

Varun Singh: My question is on INTUNE. Just wanted to understand maybe the similarities between our format and purely from the operations and the supply chain perspective with regards to how we are handling the inventory and even maybe the dead inventory or slow-moving inventory, how -- I mean, what are the similarities between us and Zudio, if you can highlight that? That's my first question.

Devang Parikh: Thank you, Varun. I think we are -- the first similarities is we are in the -- broadly the same space of value fashion. So all the aspects of the business which come on virtue of being in the value fashion space apply to us. Fast fashion, frequent drops, obsolescence on account of age, low margins, high volume, all of those factors are common, right?

On your question on how the dead inventory is managed, so we do 2 end-of-season sales, in Jan and one in July. So the intention is to pull back merchandise once it's past its full price prime, hold it in our warehouses, and relaunch it in the EOSS cycles to liquidate as best as possible within the branch premises.

Varun Singh: Yes, sure. So basically, we are pulling out the inventory back to the warehouse, and then during Jan and July, we would be getting all those to the stores and then would be discounting. Will that understanding be correct?

Devang Parikh: Yes, cut sizes will get pulled back so that we can make space for new launches during the full price period. Exactly. That's the correct understanding.

Varun Singh: All right, sure. And with regards to supply chain integration with our existing like Shoppers Stop store, will it be different for INTUNE? Or will it be integrated for both Departmental store and INTUNE?

Devang Parikh: So we are using the same warehousing and logistics infrastructure that Shoppers Stop as a company has, and we are fully leveraging that. It is giving us a lot of benefit because there is an existing system in place and a cadence is already in place.

When it comes to the external part of the supply chain, which is the supplier base and the inbound, that is almost entirely unique from Shoppers Stop because the price point of certain product is very different, so the supplier base is different. But internal infrastructure is 100% common between the 2.

Varun Singh: Sure, sir. And sir, lastly, on the 71 count of store that we have for INTUNE, like roughly what percentage of that would be mall index stores compared to -- and what would be that number for Zudio?

Devang Parikh: I don't think I would know the Zudio number, but for us, 60% is mall and 40% is high street of standalone.

Varun Singh: And sir, like during -- on 15th of Jan '25, we spoke about Rs 11,000 per square feet for mature store in case of INTUNE. And in this call, you called out around INR10,000 revenue per square feet. But I think Rs 10,000 to Rs 11,000 that number stays intact, right?

Devang Parikh: Yes. I said it's upward of Rs 10,000. And I think Kavi mentioned that we had a month of poor demand, which is what pulled the average down. But I think we are on the same path when it comes to March and April. And month-on-month we are becoming better.

Varun Singh: Okay. And like from Rs 11,000 to Rs 14,000, Rs 15,000, that journey is quite possible, right?

Devang Parikh: It is possible.

Varun Singh: How comfortable would you be?

Devang Parikh: It is very much possible and the Rs 10,000 to Rs 11,000 is an average. We've already seen that journey happen in a part of a mature store network. So that is something that we've already seen and we know the route to taking the other stores also on that direction.

Moderator: The next question is from the line of Jeyaprakash, a Retail Investor.

Jeyaprakash: Compared to last year, year-on-year, the profit has been almost down to more than 95%. Despite saying your top line growth or top line is flat, you have happened many INTUNE stores and Department stores also. How would you expect or forecast the next 6 months?

Karunakaran M.: Jeyaprakash, thanks for your question. At the EBITDA level, if you have seen it on the non-GAAP numbers, it's down by 19 percentage. And we have also given H1 and H2 Slide at the beginning of the investor deck. Kavi spoke in the last 2 quarters that H1 -- I mean, the quarter 1 and quarter 2 because of a number of reasons, we had elections. Overall, the sentiments were low in the -- and that's the reason the overall EBITDA had declined versus last year.

But if you have seen in the second quarter, our second half, I'm sorry, our EBITDA has increased by 16 percentage. Even at the non-GAAP level, the PBT has increased by 10 percentage. So the sentiments are improving. The customer demand has been improving. And we believe with this, this year will have a decent growth on all the KPIs, that is sales, EBITDA and profit.

Jeyaprakash: Next 6 months -- I mean, next 2 quarters is going to be neutral because, again, after festival season comes in the October only, after seeing last year performance, have you found any new strategies or anything that's going to attract the new customers to visit your -- increase the footprint? Is there anything on the -- on your table?

Kavindra Mishra: Mr. Jeyaprakash, so this is Kavi here. So we spoke about building the marketing campaigns, the India Weds Shoppers Stop, Gifts of Love. So the idea is that we create -- and we've been working on this for the last 18 months to create Shoppers Stop as a destination, which is for a specific kind of customer which you want to drive in. I think we have been seeing some very good results of this over the last 6 months or so. Even April looks good and strong.

So my sense is that the action points in terms of driving traffic to the stores, in terms of creating differentiation through different kind of brands and products and through our personal shopper, we have been able to get higher KPIs getting delivered. So I think we are in a good -- we are in a very good space right now in the department store business, and we expect H1 to be far better than what was it last fiscal and H2 to continue the growth which we are in. So I think we are quite confident, Mr. Jeyaprakash.

Jeyaprakash: Okay. How about the borrowing, sir? Can you throw some light on your borrowings in year-on-year basis?

Karunakaran M.: Borrowing, yes. Again, if you have seen last year, we have increased the working capital because of 2 new businesses, plus some of the brands we had in our stores because of premiumization. This year, we have taken a conscious call, one, to reduce the inventory, and that should reduce our overall total borrowings.

And plus even the new stores, we have taken 6 to 7 stores. So that will be primarily funded from internal accruals. So to answer your question, we do expect our borrowings to come down significantly this year.

Moderator: We'll take the next question from the line of Tejash Shah from Avendus Spark.

Tejash Shah: Sir, we are picking up from multiple sources in consumption basket, especially in discretionary that Southern India and Western India are kind of lagging behind especially the urban markets on revival side. So any such regional nuances that you can share from your numbers?

Kavindra Mishra: Good morning, Tejash. Yes. So I think when we look at the region-wise concentration of demand, so what we are seeing is that North, West and East continue to be strong.

We do see some pockets of slowness in South, especially in the Andhra, Telangana market. But otherwise, Karnataka continues to be strong. We don't have much of distribution in Tamil Nadu, so we won't be able to give you a detailed view of that.

But my sense is that except the market which I just mentioned, demand continues to be strong. And we are very happy that North actually has really picked up, which was slow for the last 2 to 3 years, and I think we can see some very good growth coming out from there and so in East as well. West continues to be steady for us.

Tejash Shah: And second and last question is on INTUNE. So 60% of our IINTUNE density is actually in mall index. So mathematically, if we do the math with 30%, 35% range of gross margin, which usually value retailers want to operate at, most of them, not all, most of them say that high street or very expensive high street or malls are not designed for that kind of construct unless you hit that INR15,000 per square feet kind of number. So just wanted to know about INR10,000, INR11,000 are those mall best stores profitable or they are margin dilutive for us?

Devang Parikh: Thank you for the question, Tejash. Two things. I think I also mentioned some time back that mall stores have done significantly better for us. So the number that we've quoted is the average across mall and high street stores for stores which are more than a year old. Within this, mall stores are better than the high street stores. So that answers part of your question.

Secondly, I think if you see the selection of malls, selection of sites within the malls, I think you will appreciate that we've been very consciously frugal about making sure that there is an affordability correlation in place, which is also one of the reasons why we are now after 70, 75 stores, we are slowing down to make sure we continue getting the right properties.

So I think mall stores not only are more profitable, not only are they generating more sales, they're also generating more profits for us. And that's the direction that we see for an overall improvement in June productivity. I hope that answers your question.

Moderator: The next question is from the line of Swati Madnani from Madhwani Wealth Solutions LLP.

Swati Madnani: My question is on the Beauty side. Is there any I mean, criteria for selecting the brands? And let's say, you cover majority of the brand. So what is going to be the strategy going ahead?

Kavindra Mishra: Thanks, Swati. My understanding is that this is more for the distribution business, which you are asking us about. Is that the question?

Swati Madnani: Yes.

Kavindra Mishra: So, I think in distribution, we work across all levels. So we have the L'Oreal or the LID brands with us. So we have the exclusive partnership with Armani. We have something very amazing going with Prada and Valentino. But we also have, for example, we spoke about we have just launched NOTE. We have just launched MESSI.

So as a genuine distributor, we work across price points and categories to ensure that we are able to deliver the best of the distribution channels, right? So in the sense that the distribution for Armani would be very different from that of NOTE and MESSI.

But that way we are agnostic. I think wherever we feel through our channels that there is a demand for the customer, as a distributor, we try to cover those things. I think there's a specialist team which sits here and works on this. So whether it's a masstige or prestige, we operate across both the segments.

Swati Madnani: Okay. That answers the question.

Kavindra Mishra: And if you talk about categories, we do makeup, we do skin and we do fragrances. So across categories.

Swati Madnani: Yes. Actually, my question on the criteria for selecting these brands?

Kavindra Mishra: So the criteria is the brand equity, brand awareness, the kind of revenue they can generate for us, margins, I think, which any distributor would do for any business, right? The availability of the brand to be distributed widely is one of the key things for its reference for its target customer.

Swati Madnani: Okay. And after covering majority of these brands, then what is going to be your strategy?

Karunakaran M.: Sorry?

Swati Madnani: Let's say, on SSBeauty stores. So when you cover majority of these brands, what is going to be your strategy going ahead? Like is it going to be store expansions or what?

Karunakaran M.: So I'm not clear on your question, Swati. I thought your initial question was on the distribution. -- The distribution has just started. We have 3 large brands, and we are increasing the brands, because that's the way the distribution business is --

conducted. Second one if you're saying, what is your question on SSBeauty stores? Are you saying that these products would be available on SSBeauty stores? Are you asking that question?

Swati Madnani: No, I'm just asking that, let's say, when you cover majority of these brands, premium brands, then what is going to be your strategy after covering these?

Kavindra Mishra: Okay. No, there are so many I think there are lots of brands. It will take some time for us to, A, onboard the new brands, B, ensuring that we are able to distribute them to the right potential, which is there. I think the market size is something which is huge. And for the existing brands, you build the depth in distribution and then for the -- and then you keep on getting newer brands.

I think the journey has just started, Swati. I can't imagine that so early, we are going to be in this saturation point. That's one. Also, this business for us as a company generates very healthy ROCE. So we'll continue to expand this business.

Moderator: The next question is from the line of Yash Bajaj from Lucky Investment Managers.

Yash Bajaj: So, I had a question regarding INTUNE. I just wanted to understand the pricing range of INTUNE. And I also wanted to understand in terms of I mean, not currently because it's a 1, 1.5-year-old concept, but just trying to understand for the future, any thoughts regarding the pricing strategy? If you would like to have any price hike, how would you go about it? That's my first question.

Devang Parikh: Thank you, Yash. Let me first address the first part of the question. So like a lot of other players in the value fashion space, our products average around INR400 to INR450. We start from as low as INR149, and we end everything at INR999. That's the pricing structure that we've followed from day 1, and we've stuck to it.

And to answer the second part of your question, as of now there is no strategic clarity or intention of increasing prices. I think we've just started this journey, and we will build more on this before we deviate from it, if at all we do.

Yash Bajaj: Okay. Got it. And just a follow-up on that. So I mean, like the previous participant was just talking about it being a 30%, 35% gross margin kind of a concept. Again, is this how we are seeing it today or INTUNE as a concept has the wings to kind of go to a higher gross margin than the current one, I mean suppose 3, 4 years down the line?

Devang Parikh: I think as the business matures, the route has to be a margin improvement, of course. I think the margin improvement will be on both counts. One, as our volumes increase, we will start getting some supply leverage, which will give us a better cost. You've seen this happen in the bigger, older value fashion brands in the industry.

And second is, as we get closer-and-closer to what our customer wants in terms of prediction, we will start getting better full price sell-through. So we've got improvement on full price sell-troughs. We've got cost benefits on account of going from 5-10 stores to 70 stores, and I think that journey will continue. So we should see improvement in the delivered margin to a few hundred basis points over the next 2, 3 years for sure. That's the intention.

Yash Bajaj: Understood. And one last question is, like you alluded that the mall stores are doing better than the high street stores. And the mix today is 60%-40% do you see this mix changing more towards the mall stores going forward? Or this mix is more or less going to be the same?

Devang Parikh: I think in the immediate future, I don't see this mix changing dramatically. So it should be more or less in that same space in the immediate future.

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

Gaurav Jogani: Sir, just one clarification that is required. The end of the season sales that we drive in Q2 and Q4, are the provisioning also taken of stocks during the quarter or provisioning is a regular function and taken every quarter?

Karunakaran M.: You are spot on, Gaurav. Thanks for that question. On our own brands, we take provision once a quarter. And for, I mean, other brands, we take once in 6 months.

Moderator: The next question is from the line of Rajiv Bharati from Nuvama.

Rajiv Bharati: On INTUNE, I missed if you have called out the LFL number for the quarter?

Karunakaran M.: Sorry. INTUNE has just started the business. I mean, last year, we had 22 stores and this year, we have close to 75 stores. So at this expansion, it will be a bit difficult to calculate the LFL. I mean, consciously, we did not pay any LFL for INTUNE right now. Let's has what we call it, one full cycle of close to 70 stores to 80 stores and then we can measure that.

Rajiv Bharati: Sure. And the other point is the 3 closures which you had, what was the same-store square feet number they were clocking at which you decided to….

Karunakaran M.: Sorry, what was it?

Rajiv Bharati: The 3 closures?

Devang Parikh: Rajiv, getting into individual stores, SPSF may not be feasible. But I think I just mentioned a few minutes back that all these 3 stores, we were significantly behind in terms of the organic flow of customer entry that we were expecting. And therefore, obviously, the sales were far lower than what we were expecting, which led us to close. We did not see the gap being bridged through our marketing efforts. So significant underachievement is where I could put it without giving a specific number to it.

Moderator: Thank you. Ladies and gentlemen, we will conclude the Q&A session now. Thank you, members of the management. On behalf of Shoppers Stop Limited, thank you for joining us, and you may now disconnect your lines. Thank you.