

Date: October 24, 2025

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

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

Subject: Transcript of the Investor Call on Unaudited Financial Results (Consolidated and Standalone) for the quarter and half year ended September 30, 2025.

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

Dear Sir/Madam,

In continuation of our letters dated October 09, 2025 and October 17, 2025, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and half year ended September 30, 2025, conducted after the meeting of Board of Directors held on October 16, 2025, for your information and records.

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

Yours faithfully,
For Metro Brands Limited,

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



**“Metro Brands Limited
2QFY26 Earnings Conference Call”
October 17, 2025**



MANAGEMENT: **MR. RAFIQUE MALIK – CHAIRMAN – METRO BRANDS LIMITED**
MRS. FARAH MALIK BHANJI – MANAGING DIRECTOR – METRO BRANDS LIMITED
MR. NISSAN JOSEPH – CHIEF EXECUTIVE OFFICER – METRO BRANDS LIMITED
MR. KAUSHAL PAREKH – CHIEF FINANCIAL OFFICER – METRO BRANDS LIMITED
MR. MOHIT DHANJAL – CHIEF OPERATING OFFICER – METRO BRANDS LIMITED
MS. ALISHA RAFIQUE MALIK – WHOLE-TIME DIRECTOR AND PRESIDENT – METRO BRANDS LIMITED

MODERATOR: **VIDEESHA SHETH – AMBIT CAPITAL PRIVATE LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to the Metro Brands 2QFY26 Earnings Call hosted by Ambit Capital Private 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 conference is being recorded.

I now hand the conference over to Videesha Sheth from Ambit Capital Private Limited. Thank you, and over to you, ma'am.

Videesha Sheth:

Yes. Thank you. Good afternoon. And on behalf of Ambit Capital, I thank the management of Metro Brands for the opportunity to host their 2QFY26 earnings call. We have the following members of management with us today: Mr. Rafique Malik, Chairman; Ms. Farah Malik Bhanji, Managing Director; Mr. Nissan Joseph, Chief Executive Officer; Mr. Kaushal Parekh, Chief Financial Officer; Mr. Mohit Dhanjal, Chief Operating Officer; Ms. Alisha Rafique Malik, Whole-Time Director and President.

I will now hand over the call to the management, Mr. Nissan Joseph, to walk us through the quarter. Thank you all, and over to you, Nissan.

Nissan Joseph:

Thanks, Videesha. Good afternoon, and thank you for joining our quarterly earnings call. As you all are probably aware, we posted a 12% growth in our stand-alone business and 11% growth in our consolidated numbers. We had some challenges and some tailwinds in the quarter. We have prolonged monsoons through the quarter and customers waiting on doing a major shopping for the GST benefits to take effect.

On the other side, we do have a slightly earlier festive season that helps our sales. Through Q2, we also go through our summer end-of-season sales, and I'm pleased that we were able to drive sales growth while increasing our gross margins by 40 basis points over the previous year. On the EBITDA side, we grew by 12% for the stand-alone and 10% for the consolidated business for the quarter, which is very much in line with our sales growth. Ind AS accounting dampened our path due to the opening of 42 stores. We had 4 closures, bringing us to a net new store addition of 38 stores.

Of this, we had 4 high-profile Foot Locker stores opened in the quarter as well. I'm also pleased to note that we opened 10 Walkway stores, which is the highest addition of stores for Walkway in any quarter. We continue to invest in our core business as well. We opened a reimagined store format for Mochi in October in Ghatkopar, and the early results look good for this new store design. This is also the second quarter in a row that we have consciously spent almost 100 basis points more on our various marketing initiatives, thereby investing in awareness and intent to buy with our varied group of customers.

Our e-commerce business continues to grow as it achieved a 39% growth across the multiple digital channels and now contributes a total of 14% to our revenue. We were also able to launch Clarks footwear into 200 of our Metro and Mochi doors, and it has done extremely well. We plan on expanding this to 300 doors in the next quarter. The GST changes have been very

positive for our business. We've seen as much as 11% reduction in footwear priced between INR1,000 and INR2,500. And a 6% reduction for footwear under INR1,000.

As you know, this positively impacts almost 90% of the footwear and Walkway and approximately 40% of the Metro Mochi footwear business. In closing, I would like to reiterate that our business continues to grow through the various challenges we face, and the teams remain focused on operational rigor and financial discipline to ensure that we achieve our guidance.

With that, I'd like to turn it back to Videesha for the question-and-answer session.

Moderator: The first question is from the line of Tejash from Aventus.

Management: We can move on to the next question then.

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

Gaurav Jogani: So my first question is with regards to FILA. I mean we understand in your presentation you have written that there has been some resolution to the BIS issues. But with respect to FILA and Foot Locker, at what stages are you right now, if you can help us out with that? And for example, 1 year when you launched FILA as per that, what is the benchmark that you have reached right now?

Nissan Joseph: Yes. So the BIS issues aren't fully resolved, though we've made considerable headway in resolving them. I think by early part of next year, we should be ahead of the curve on that. So we are gaining traction in mitigating that BIS issue. Our Foot Locker business shares the same issue, which is why you've seen us only open 4 stores this quarter. I think had we not had BIS, we definitely have wanted to open many, many more stores for Foot Locker.

So I think we're in a good place where we started the reposition of FILA. FILA is being carried in over 100 of our Metro Mochi doors as we continue to reposition the brand. As I said, it will be a 12- to 18-month repositioning of the brand, Gaurav. And that's when -- after which you'll start seeing acceleration of it. We are looking at opening our first FILA store since the closure of all the FILA stores later on at the end of this calendar year.

Gaurav Jogani: Nissan, just related to this, as per your own internal expectations, where would you benchmark FILA right now? So for example, if you would have maybe hypothetically expected it to reach, say, INR300 crores, INR400 crores sales. In that context, where are you in that journey? And are you confident at least not this year, but next year onwards, it will be again back to the growth path that you wanted it to be?

Nissan Joseph: Yes. So I think when I look at the BIS implications that we've had, I'm quite pleased to see where we are. Having said that, we couldn't have possibly gotten close to our aspiration that we had pre the issues of BIS. So -- the other part of your question, as I look to the future, we remain very confident that FILA can reposition. We did, as I said, launch it in about 100 of our doors, and we've seen the right amount of success from some of the assortments that we've put in. So it looks like it's on track. It doesn't cause us any concern. But at the same time, repositioning a

brand is not easy work. It's not for the faint of heart, but we're working on it, and I'm pretty confident that our investment in FILA will be a terrific one for the company.

Gaurav Jogani:

Okay. Sure. And my next question is with regards to Clarks again. I mean I do understand that you have recently acquired Clarks and it's now been also introduced in 200-odd Metro and Mochi stores. So what is your entire plan here by when you expect the full additions here?

And second part of the question with regards to Clarks is that I understand you have the full gambit online piece as well here and also the distribution piece. So what are your plans going ahead when we see the full launch here? And in addition, given that Clarks, you are already selling in your Metro Mochi stores earlier as well. So do you expect any cannibalization impact here in terms of sales for your existing Metro Mochi assortment that you have?

Nissan Joseph:

In its heyday here, Clarks, I believe had upwards of 50 doors if I'm not mistaken. And we were carrying a considerable amount of our Metro Mochi doors. So it's not a question of cannibalization. It will be more of a question of reintroduction into the Metro and Mochi chain, and we would probably start our new store growth on Clarks probably in the back half of next year.

A lot of that has to do with the fact that we want to first take care of the proverbial low-hanging fruit, which is the ability for our Metro Mochi stores to sell it. And then we would rationally start opening stores for it somewhere in the August time frame.

We're very excited to see that the customer has not lost the appreciation for Clarks and has come back to the stores quite well and strong for it. One of the reasons we wanted Clarks was we didn't find a good substitute for them while they were absent from our stores. So bringing them back in will be accretive to us as we go forward.

Moderator:

Next question is from Videesha.

Videesha Sheth:

So my first question was in continuation of what Gaurav asked. So in case of Clarks, if you can talk about the online ramp-up of the portfolio since pre-acquisition online used to be a sizable chunk. So in terms of both the assortment and the platforms wherein Clarks and retail, if you can give us an update on that, please?

Nissan Joseph:

Yes. So I think, it was sizable simply because I think there was more of a discount-led show. It's going to be a big part of our business. E-commerce with Clarks is going to be considerable. But we want to play it differently, as you know, Videesha. We don't like a discount game. That's not how we want to position the brands that we sell. So we are taking it.

Clarks site is live, and we are linked up to marketplaces and omnichannel in our stores. So we've already started that journey and process. It's just a matter of how fast we can scale both the brick-and-mortar stand-alone stores, get it scaled into more Metro Mochi doors. And at the same time, we'll start investing in the performance marketing required to drive it digitally.

Kaushal Parekh:

And I just wanted to add to what Nissan said over the next 2, 3 quarters, we expect complete supply chain of Clarks also to get sort of stabilized. Currently, we have just started with

Cloudstepper range for women, which is broadly around 35% to 40% of what Clarks has to offer. So we expect this new merchandise to sort of come in over the next 2, 3 quarters. And obviously, once that stabilized, that's when we start ramping up both our stores and going full online as well.

Videesha Sheth:

Sure. That's clear. The second question is if you all can shed some light on the consumption and demand outlook for the second half of the year.

Nissan Joseph:

Well, I think when you look at it from an offset standpoint, we've gone through a couple of things over the last few festive seasons. One of them was the lumpiness caused by COVID. The second one was the erratic caused by wedding date shifts and lack of wedding dates and so have you.

The good news is, look towards this quarter, we see none of those factors coming into play. On the contrary, we do see the fact that the GST reductions have taken place to create and spur more demand for our products. So overall, we don't see any tailwinds, some headwinds from where we sit, and it should be a like-for-like quarter finally after many, many years.

Moderator:

Our next question is from the line of Gaurav Jogani from JM Financial.

Gaurav Jogani:

My question is to Kaushal now, Kaushal we have seen very aggressive expansion for Foot Locker stores. I mean the 4 that got launched. And in effect, if you see the square footage, the square footage would be average 24,000 in total for all the 4 together. So how does this impact the depreciation and interest piece? And how should one forecast that going ahead?

Kaushal Parekh:

Good question, Gaurav. In fact, we have tried to highlight it in our presentation as well -- if you see PAT for Q2 has got impacted on account of -- predominantly on account of obviously, 42 new stores that came in and 4 big Foot Locker stores that came during the period. Overall impact was almost close to about 1% in Q2. So when we open the store impact in that quarter is high because of the way Ind AS 116 accounting works, especially with respect to rent-free period accounting.

After -- from next quarter onwards, it would sort of normalize. Having said that, as you would be aware, under Ind AS 116, if I'm just giving a hypothetical example here, suppose if your lease is of 10 years, your notional cost, which comes as depreciation and finance expense under Ind AS, that is much higher than the actual rental that you pay.

And then in the next 5 years, from year #6 to 10, your overall charge in P&L would be lower. So till the time we continue to open stores, you will see a higher impact of Ind AS 116 accounting in our books. If we see last year, FY '25, -- on an annualized basis, there was a charge of around INR37 crores noncash expense in our books because of which our profit was -- our profits were lower because of that Ind AS 116 charge aggregating to around INR37 crores.

Nissan Joseph:

Yes. And I think the number that we would probably say makes the most sense to your question in the light of all these openings of stores and the Ind AS effect would be to look at the EBITDA performance, Gaurav, because I think that kind of neutralizes that effect and flattens it out a little bit more than the Ind AS does. So when you look at our EBITDA last quarter, it was very much

in line with our growth. And also, I'm pleased to point out that our sales per square foot for the quarter maintained its same number from the last year.

So it's not like these things are diminishing our sales per square foot. Having said that, if we grow more and more walkway stores, we are going to see that sales per square foot number start to move a little bit. But the bottom line is we want to ensure that the EBITDA and the ROCE in our company stays intact.

Gaurav Jogani: Sure. Sir, Nissan, just one thing allied to this sales per square feet thing. Given that the GST would also mean lower realization for the same footwear that you sell now, at least the 40% Metro Mochi stuff. So does that in any way impact the revenue per square foot, though it might not impact the EBITDA per square foot in that sense?

Kaushal Parekh: Yes. Logically, yes, Gaurav, to the extent of discount that we have passed on to the customer, our top line to that extent comes down. But as you rightly said, it will not have any impact on profitability. Next quarter, we'll try to give some details on that number too.

Moderator: Our next question is from the line of Tejash from Aventus.

Tejash: Nissan, you mentioned in your opening remarks about GST-led benefits reviving sentiments. And we have also seen supporting policy moves earlier like monetary easing, income tax cuts earlier this year. Do you think the earlier interventions have also started translating into some demand recovery? And if we have to see in terms of footfalls conversion and bill size, are we seeing in any of these 3 levers that all those moves are kind of showing some recovery?

Nissan Joseph: Yes, I think it's a multitude of factors. It's not just anything singular. Of course, all the things that the government has done previously from the tax code and things like that do help sort of the GST sort of normalization of business and getting away from the lumpiness of COVID a little bit. The last couple of years have been quite muted. But if you look at the growth over -- since pre-COVID, we've grown over 100% in sales.

So I think a lot of those external factors and one-off events and whether it's national elections that we had or other things that seem to affect business, those things don't exist in this quarter and also not for the following few quarters coming up. So it should be pretty steady streaming where it's all accretive and added to what we do. We've had a lot of variabilities, monsoons coming early, affecting business. We've had the GST people holding off at the same time and coming back and shopping. But the good news is I think we have passed a lot of those things where you can see a certain normal trajectory of business come to light.

Tejash: Second, see, you mentioned that we are dialing up on Walkway. So we have typically, as a company, operated in the premium segment. And then it comes very naturally to us, not to see that Walkway was not there before. But as we dial up there, how are we ensuring merchandise supply chain alignment because that's very execution heavy or cost-sensitive segment. And if, let's say, as a customer, if I walk into Walkway today, what kind of new value proposition versus what we are doing earlier I should expect? And what is your core customer profile there? What are we targeting? Is there any regional bias there? Or is it targeting the same cohorts mass and audience?

Nissan Joseph:

So let's talk about the target consumer first and foremost, right? We are targeting customers more in Tier 2 towns. I'm not saying that, that customer does not exist in metro cities, right? So there is that customer that exists even in Mumbai. But that's not where we want to focus our growth.

And it's the Tier 2 towns further down the pyramid of the consumers in India. We also think that's a play where we're able to start tapping into the unorganized market, which is, as you know, in our business, in our industry, it's almost 70% of our business is done in the unorganized market. And it's also for that aspirational customer.

Listen, aspirations vary by your associate demographics, right? And there's people that aspire to move up from unorganized to organized, from organized to mass premium to mass premium to premium and so on and so forth. What we want to do is to ensure that we are offering formats that can cater to a vast majority of Indians over the next few years. To speak about the growth in Walkway coming through, you would have noticed in the last 2 years, we've very much dampened the growth of Walkway. In fact, we cut it down to almost 0 growth.

As you rightly pointed out, it is a different business model. It has a different cadence to it. It is definitely heavy cost and throughput focused. And we had to get those models right internally. And that's why we took a breather, got that right. We weren't sitting on our thumbs as it might have appeared from the outside.

And today, I believe we are confident that we found the model that we can now scale relatively quickly. As you know, we don't do anything in a rash hurry, but we can scale quite quickly in this space.

Moderator:

The next question is from the line of Sameer Gupta from IIFL Capital.

Sameer Gupta:

Sir, first question is on Foot Locker. Now I understand it's still early days, but we still have one store, which has been operational for almost about 1 year now. Just a sense of what kind of throughput it is clocking? Is it materially higher in line with overall blended company average? Any color you can give on it will be helpful, sir.

Nissan Joseph:

So it definitely is clocking well for us, but don't forget, we've had that BIS impact that has limited our ability to maximize the opportunity that Foot Locker presents. From a metric standpoint, from a productivity sales per square foot, despite it being much larger stores than the rest of our chain, that's very much in line. It's not going to be dilutive there at all. As you know, what we sell in Foot Locker is primarily external brands. So you're not going to see the same margin flow-throughs that you do in our normal business.

But we do need to chase growth as a company, and we remain focused on 2 things. One is that we want to be sensitive to margins, but we want to grow. And number two, we want to take care of a majority of the Indian consumers' footwear wardrobe. And to do that, you have to play in different spaces and some of them come at different margins and different flow-through of profits.

Sameer Gupta:

I missed that number. So you're saying the store sizes are larger or throughput is also larger, but the margin is lower. I missed that. Sorry.

Kaushal Parekh:

So Sameer, obviously, as you know, Foot Locker store in terms of size would be, say, 3x of what our Metro Mochi stores are. Even ASPs would be in the same range. And as Nissan mentioned, we are seeing throughputs, which are broadly in line with what our expectation was from that format despite supply chain disruptions and despite our knowing that the merchandise is still not up to the mark, which we expect to further improve over the next 2 quarters. Second point was on the profitability.

Since here, we deal with all the third-party brands, our incoming gross margins in Foot Locker would be lower than what gross margins you see us reporting at a company level. Obviously, since the stores would be bigger, we will see benefit of efficiencies of scale on all the expense those -- that comes below gross margins. And obviously, we feel that our overall investment in this format would be slightly efficient as compared to, say, our other traditional format.

So all in all, our thought process is profit in terms of percentage from, say, format like Foot Locker would be lower when compared to Metro Mochi. However, our endeavor would be to make sure that we can generate ROCE upward of 20%- 25% from this format over a medium-to long-term time frame.

Sameer Gupta:

Got it. Just a clarification here. So throughput in line with expectations, I understand, but I would assume that those expectations would be at least company average throughput or I'm wrong here?

Kaushal Parekh:

No, you are absolutely right.

Sameer Gupta:

Fine. Great. Now second question is on the EBITDA growth. Now I understand Ind AS 116 has kind of distorted, but I try and kind of find out the pre-Ind AS EBITDA by using it from the cash flow statement. I find that first half, the pre-Ind AS EBITDA approximate growth is just 3%. I just want to get a sense on why this is the case because this would imply a sharp escalation in rentals.

And even if I look at the pre-Ind AS EBITDA margin, it's at 17.8% for the first half. That's a 120 basis points contraction. So I mean, does this imply pressure on SSS growth? In general, have rentals escalated? Is it just Foot Locker where the rental per square foot is substantially higher? Can you give any color on this?

Kaushal Parekh:

So broadly, obviously, if we see strong overall top line growth, rental escalation doesn't hurt. If they are slightly muted, obviously, it will get reflected in the numbers. Having said that, predominantly, the -- if you see our EBITDA, it is broadly in line with the top line growth as we have reported both in Q2 and H1.

In -- there are 2 big levers that I think Nissan also mentioned earlier. We have invested in marketing that is higher by at least 1% versus last year. And there is impact of Ind AS accounting, which if you see at H1 level, it is close to about 0.6% on PAT. And that's how you can see the numbers.

Sameer Gupta:

Kaushal, let me explain what I'm asking. So what I do is typically take the EBITDA, which is reported in the first half. I look at the cash flow statement where you report repayment of lease

liabilities and interest costs pertaining to lease liabilities. I presume that is largely the rent, which is not part of my P&L above EBITDA.

So that is my clean EBITDA after incorporating the rentals. Marketing cost, 100 basis points higher is already incorporate reported EBITDA. So whatever is below is the fixed rentals. And there, I'm seeing a sharp increase. And fine top line growth is higher, I understand, but even the EBITDA growth adjusted for this is just 3%. So rentals are growing faster than a higher top line growth as well, right?

Kaushal Parekh: Sameer, I answered that question. I mentioned the same thing that when we see slightly muted top line growth, obviously, that means your rental increase is slightly higher as compared to what your overall growth from the store is. So there is slight increase in our rentals. Our rental range generally, what we say is around 13% to 15%. We have seen it move up slightly, and that is reflected in the numbers.

Sameer Gupta: Got it. So basically, it is a function of lower sales growth or top line growth and that will get addressed with the uptick in demand and GST reductions, et cetera?

Kaushal Parekh: Yes. And also important thing to note here is H1 for us is 46% of annual revenue. So you see lots of normalization also happen in Q3- Q4 because these are quarters where our revenues are higher and your rental same, if rentals are fixed, they remain the same. And then you see improvement in overall rent to revenue ratio for the store and for company as a whole.

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

Devanshu Bansal: Congratulations on a good pickup in store additions. Sir, firstly, I wanted to understand in first half, our inventory has increased by about INR150 crores and we have done a capex of about INR60-odd crores. And overall, we have opened about 60-odd stores, right? But obviously, there must be an increase in inventory in anticipation of festive.

But I just wanted to check overall, if we see it's about INR230 crores, INR235 crores of additional capital employed in the business, and we opened about 60-odd stores. So I just wanted to request you if you could just provide a breakup in terms of inventory increase in existing stores or comment if there is increase in general inventory employed at the store level?

Kaushal Parekh: Devanshu, the right way would be to compare -- every year, you see our inventory goes up slightly in September. This is in preparation for the season period that's going to come in Q3 and Q4, right? If you compare it with September '24, our overall increase, I think, is around INR80 crores, INR85 crores. Second point is, obviously, the inventory that we carry is also in line with all the new store additions that we are planning to add over next 2 quarters. And also the new formats that we have started.

So take, for example, we started with Clarks. We launched 4 Foot Locker stores. So there is some inventory that you carry even for those formats. Although those -- we have just filled the stores, sales from those stores from those formats are going to come from here. So it's a combination of all these 3 factors that has led to a slight increase in inventory.

- Devanshu Bansal:** Also, Kaushal, if you could comment on capex because there that normality will not be there, right? So we have opened 60 stores. Typically, capex was between, say, INR50 lakhs, INR60 lakhs formats like Metro Mochi. So here also, it is slightly on the higher side. So if you can throw some light on that as well?
- Kaushal Parekh:** Yes. So there are 2, 3 points here. Capex for Foot Locker stores are significantly higher than what we incur for Metro Mochi, that is one. We have opened 60 stores. We have also renovated a few stores. So it's a combination of all these 3 factors that is leading to that capex cost of around INR60 crores during the year. There's no increase as such in the average expense that we incur for our other formats like Metro Mochi other. Those are broadly in the range as we used to incur earlier.
- Devanshu Bansal:** Fair enough. One more thing, I wanted to check if you could throw some light on the like-for-like increase in inventory at the store level. So if you could give some color on that. So suppose whatever a typical metro store was carrying at September end last year, now what is the increase that we have done at the store level?
- Kaushal Parekh:** I don't -- if you see like-to-like store, there won't be any significant change. Somewhere in that range of 6.5, 7 months of inventory is what we carry in any particular store. So inventory would have remained in that range.
- Devanshu Bansal:** Fair enough. And lastly, a bookkeeping question. Can you comment on pre-Ind AS depreciation and interest expense, the run rate -- quarterly run rate that is there currently that will help us sort of do the projections in a better manner.
- Kaushal Parekh:** I don't have that number handy with me, but pre-Ind AS, post-Ind AS difference in EBITDA would be somewhere in the range of 8.5-9%
- Moderator:** Our next question is from the line of Ankit Kedia from PhillipCapital.
- Ankit Kedia:** Sir, my first question is regarding the A&P spend. With the new Crossover collection, we have spent nearly 1% extra in A&P. Now this is the first time at least since listing, we have done such aggressive ad spend. So just wanted to know under which brand are we doing this? What is the potential you are looking at for this collection? And how do you plan to roll it out across stores?
- Nissan Joseph:** So I think we are committed to driving awareness and the relevance of our brand in the core target of the consumers we serve. All of the chains will be investing in marketing to drive that business. What you saw was just one of the first ones we've done. Subsequently, we'll be doing more in both Metro and Mochi and then Walkway has a different cadence of marketing. But in all of those formats, we continue to invest in marketing, but the biggest investment lift or increase that you're going to see is going to be focused on our Metro Mochi business.
- Ankit Kedia:** So can we expect the A&P spend to remain elevated at these levels or this was a one-off case?
- Nissan Joseph:** We do plan on investing in marketing. Some of that marketing ends up with immediate sales in that same quarter. Some of that marketing flows to another quarter. So you might see the benefit of the following quarter where the relative marketing spend may not be as much. But these are

this last quarter and this quarter is the ones that we would spend the most money on our marketing because this is where we do most of our business.

Ankit Kedia: Sure. My second question is regarding the GST cut. Now if I see at the consumer level, you are giving a discount of the GST back to the consumer, and that is SKU led. Going forward, with the new inventory coming in the system, are we expected to take some price increases? Or how will the billing to the consumer happen with the new SKUs? So will the MRP get reduced when you're doing it or partly we will tend to increase the MRP and try to give some discount to the consumers?

Nissan Joseph: Listen, we want to be priced where the customer always sees value in our products, whether it's a premium product or whether it's a Walkway product, we want the customer to see value. And like with everything, when we look at a product, we start off with what are the attributes and what -- at what price point would the customer see value and at what price point will we make our margins. So we work from that angle.

If you're talking about new products, we're not going to continue the discounting on new products because we're going to have the new GST factored into that price tag. So that's not going to continue past the product we have in the system today. Whatever we have in the system will continue to be discounted until it sells through. But new products, we always take a look at it fresh eyes and see how do we bring value to the customer at whatever that price point may be.

Ankit Kedia: But if it's a similar inventory, we might not take a price increase.

Nissan Joseph: Product, no, we won't take a price increase. Except the normal inflation cost that you always have every year on every little thing you do in the manufacturing and procurement of shoes.

Ankit Kedia: Sure. And regarding FILA, you alluded that by the end of this calendar year, we will see our first store launch. How has been the FILA response now in the Metro Mochi stores? And I also see that you have just onboarded ON also in your stores, which is slightly premium and footwear. So how does that go with Skechers at one end, FILA expected to enter and also having ON in the Metro Mochi stores.

Nissan Joseph: Well, so primarily, we were able to get some ON product just for the Foot Locker stores, right? And then there are some very, very key stores and styles that we thought we'd test across to see how it did in other banners. And that's what you're seeing. But it's not a question of that we want to sell at that kind of price point. We're constantly testing to see the consumer demand for the various price points. Mind you, that's not a high price point for us necessarily. We've sold men's dress shoes, albeit close shoes in the INR25,000 to INR40,000 range, too. So it's not a new price point in our stores. We're just always constantly testing.

Ankit Kedia: And how is the Fila new range uptick in the Metro Mochi stores, if you can give some color on that?

Nissan Joseph: Yes. So as with any repositioning of a brand, it's following the normal course where of the 10 shoes you tested, 3 of them didn't do what you expected them to do, 4 of them perform to scale

and 3 of them pleasantly surprise you. And we're seeing that same ratio in our tests that we're conducting across over 100 Metro Mochi doors.

- Moderator:** Our next question is from the line of Avinash Karumanchi from MOSL.
- Avinash Karumanchi:** Earlier on, the channel mix used to be at 10% to 11%. And all of a sudden in the last 2 quarters, we have seen this channel going up to 13%, 14%.
- Nissan Joseph:** I'm sorry, I didn't get your full question. You're talking about the e-com sales ticking up. Is that what you're saying?
- Avinash Karumanchi:** Yes. Yes.
- Nissan Joseph:** What was your question, though, Avinash?
- Avinash Karumanchi:** So I mean, is there any change in the online strategy that we are following? Earlier, it used to be peaking at 10% to 11% in the last 5 years or so. And all of sudden, we are seeing like 400 bps of contribution increasing from this online channel?
- Nissan Joseph:** Yes. So we've made significant investments into our D2C side. We've made significant investments into the technology that utilizes omnichannel capabilities with the different marketplaces. I think we're also investing more in digital marketing. So our ROAS, our customer acquisition costs, our spends are increasing, but the productivity, thanks to the technology and the talent we've added on is more productive.
- Overall, if you look at it, I think the e-com business should be somewhere between 15% and 20%. So it's not like we're over-indexing in that space. But we don't want to rush into that space and do it at the cost of discounting and not having a full premium range in those stores. So what you're seeing is the effect of some of the investments we've made in the digital space.
- Avinash Karumanchi:** Got it. But if I had to look at it like 3 years or 5 years' time frame, what would be the contribution would look like from the e-commerce mix?
- Nissan Joseph:** Well, I think, like I mentioned, somewhere in the 15% range, 15% to 20% range is the right thing for a brand like such as Metro because it is a well-known brand. You also saw in the last couple of -- this is when they go through all the big billion dollar sales and all the end of reason sales and so on and so forth.
- But to answer your question, at a longer term, I think a healthy e-commerce business in our space for our kind of consumer, for our kind of brands and banners that we own is somewhere in the 15% to 20% range.
- Avinash Karumanchi:** Okay. Got it. And this distribution of the mix, is it same across the brands? Or is it just because recently the FILA, Clarks and these other parts that we are doing? Are there the reason that the sudden jump in the increase apart from the investments that we have done?
- Nissan Joseph:** So the investments we've done are primarily focused on our own brands of Metro and Mochi and that's where we're seeing the growth come from. Not saying we're not seeing growth in Fila.

I'm not saying that Clarks hasn't been a good addition to it. And for example, Walkway, we don't sell directly online. It is strictly done through the marketplaces. You're also seeing that we are investing a lot more in the handbag selection that goes online, which there's a high uptake for handbags, not just shoes. Handbags disproportionately sell online for us compared to the ratio in stores.

Moderator: Our next question is from the line of Tejash from Avendus.

Tejash: Just one follow-up, Kaushal. If I heard you right, you mentioned that Walkway revenue per square foot won't be dilutive at the company level. Given that our current productivity is among the best in the industry, matching that through in a Walkway or value format would mean that we'll also match some of the best value retailers as well on productivity.

So any -- first of all, did I hear it correct? And any comments to make? Are we already seeing some good throughput in the new formats or the new stores that we have opened there?

Kaushal Parekh: Tejash, I think you got it slightly wrong. What we mentioned is if we expand Walkway aggressively, obviously, you will see adverse effect on the overall sales per square foot because throughput in Walkway stores is lower as compared to what you see in Metro Mochi. Barring Walkway, I think all the other additions that we have done, Foot Locker, et cetera, this should all improve or should assist in improving the sales per square foot as you will see today.

Tejash: Perfect. Very clear. And usually, such formats are margin dilutive also in terms of where we stand today at overall company level. So over there also if you can clarify?

Kaushal Parekh: Sorry, you asked about our new format, Tejash?

Tejash: No, Walkway margins.

Kaushal Parekh: Yes, yes. Walkway, we have -- we clearly mentioned, right, that our incoming gross margins in Walkway would be lower than that of Metro Mochi, the overall gross margins that we sort of report. And obviously, that will flow through EBITDA and PAT. So profit as a percentage in Walkway would be -- would always be lower than Metro Mochi. However, our endeavor is that, say, in medium- to long-term time frame, say, in 3 to 5 years, if we can consistently deliver ROCEs somewhere in the range of 20% to 30% from Walkway format, I think that would be a good utilization of our treasury funds, which is touching 7% odd returns.

Moderator: The next question is from the line of Rahul Agarwal from Ikigai Asset.

Rahul Agarwal: Just 3 questions quickly on the new store additions. -- incrementally, assuming that the band, largely what we understand is about 80 to 110 stores a year, that's the band we are working with because 20 stores a quarter and then maybe some 43, very high growth. Between Metro Mochi and Crocs and the newer brands, will the newer additions will be materially different than what we see over the last 3 years? That's the first question.

Kaushal Parekh: No, Rahul. I think we -- as you saw this quarter, we expect a robust store addition across all the formats that we have. So you will see all the formats, be it Metro, Mochi, Crocs, Walkway, all

of them growing. Obviously, Walkway, we opened 11 new stores last quarter and closed 1. So 10 new stores for Walkway. This was highest for us in -- for Walkway till now.

Rahul Agarwal: Okay. Secondly, a similar question tied up to the first question. Like last 5 years, Tier 2 towns share of stores for Metro brand as a whole has increased. Given newer brands, FILA, Clarks, Footlocker, New Era, most of them will find customers more so in metro and Tier 1. Will that mix change going into next 3 years?

Kaushal Parekh: No, I think you answered the question yourself because for newer brands, our expansion would be obviously, first, we will try to cover metro cities and then Tier 1 and then Tier 2. So because we have 8 banners in our portfolio now, you will see us -- all the new formats would come in metro cities, Tier 1. Even for our slightly mature formats like say, Metro, Mochi, Crocs, we see lots of potential still in metro cities and Tier 1 for expansion. So I don't see that ratio change significantly over the next 3 to 5 years.

Rahul Agarwal: Right. So which basically means that Tier 2 share of stores would go down, right?

Nissan Joseph: No. So what you're going to see is Tier 1 -- Metro and Tier 1 grow disproportionately with our new formats. And you're going to see Tier 2 and Tier 3 grow disproportionately with Walkway specifically, but also you would see more growth coming out of Metro and Mochi in Tier 2. So overall, the mix should not change considerably for the next few quarters.

Rahul Agarwal: Okay. Got it. And lastly, last 3 years, overall, if I look at EBITDA and net profits for Metro brands, it's been mid-single-digit CAGR. And obviously, a lot of things have gone up and down across the industry as well as for the company specifically. Can we say next 3 years, growth should now significantly pick up given what I can see is your store additions right now looks pretty much sorted.

Walkway looks pretty much sorted for growth. FILA looks like 12 to 18 months of repositioning and that is also on growth part. And then, of course, a lot of all these macro things, which are helping out in terms of GST cuts, tax cuts, consumption pickup, stuff like that. Would you say that this is an inflection point for the company right now?

Nissan Joseph: Well, so I just want to put that in perspective a little bit. If you compare our sales back to H1 of FY '20, and I'm comparing first half to first half FY '20, and I'm comparing to FY '26, we're up 116% over that number. So while I know the last few quarters have been -- last few years have been a little bit muted, as you pointed out, let's not forget a lot of that has to do with the lumpiness of the COVID effect and things that happened after that, right? That on a CAGR is 14%. And we all know that consumption was a little bit impacted last year.

Today, I think a lot of those erratic events, a lot of those one-off events that caused some lumpiness in our sales. We don't foresee any as we look to the next few quarters. And like you rightly pointed out, there are some macro factors helping us through there. Overall, I think we're safe -- we continue to feel confident in our guidance that we will grow at a 15% plus rate and also produce a profit after tax of the 15% and an EBITDA in the 30% range.

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

- Rajiv Bharati:** So just wanted to check on Crocs expansion. So usually, you've been saying that monsoon is Diwali for Crocs, and we had some extended weather-related things in Q2 also. So one, what is the contribution of, let's say, Crocs as of now? And what is the expansion plan here?
- Nissan Joseph:** So we don't break out those granular numbers. But what I can tell you is we're not going to open stores in the middle of Christmas, and that's what -- and it's in the middle of Diwali for Crocs, right? So we did most of our openings for Crocs prior to that, and we're going to continue to grow Crocs as we go forward. We feel good about where the brand is and where it's going, and it's performing well for us. So I don't see any reason to, in any way, see a disadvantage for Crocs runway for growth.
- Rajiv Bharati:** So the question is, can we get back to, let's say, 20, 25 store additions like we used to see before?
- Kaushal Parekh:** Rajiv, 10% network addition even for Crocs for next 3 to 5 years is easily possible.
- Moderator:** Our next question is from the line of Akhil Parekh from B&K Securities.
- Akhil Parekh:** Just continuing on the growth part, right? Nissan, you highlighted that you have grown at 14% CAGR over the last 5, 6 years from FY '20. But if I look at last 2.5 years, the growth rate has been kind of subdued at 11%, 6% and 10% for first half. Is there a case of market share loss to some of the D2C players or online-only players? It's difficult to comprehend that the growth rate has been quite subdued for 2.5 years. That's my first question.
- Kaushal Parekh:** Akhil, I'll take that one. If you see last 2 years, comparing it with FY '23, and we all know, right, FY '23 was one of the bumper years for retail industry, wherein we saw COVID -- after COVID reopening pent-up buying, right? And hence, that is one of the reasons why we see slightly muted growth in last 2 years. And in fact, that's why Nissan mentioned...
- Nissan Joseph:** Can you go on mute, please, for a second?
- Kaushal Parekh:** And this is a precise reason why Nissan mentioned that it would be better if we compare this growth over a slightly longer period, taking COVID out of the equation, and that's where we see a healthy growth runway.
- Akhil Parekh:** From SSG perspective, I know we don't provide the SSG number, but what would be a sustainable range of SSG growth one should expect in our business at the scale what we are at right now?
- Kaushal Parekh:** So if you take a slightly longer period, say, 6 years or, say, 10 years, all our formats have generated or given SSGs of somewhere between mid- to high single digits. If you don't grow that much over a period of time, your profits will start showing it, right? And you have seen our profits have, in fact, grown over the years. That clearly shows that we have been able to achieve SSGs at a percentage, which is higher than the normal inflation that you otherwise see in the economy. So I think that is a sustainable SSGs that we would target going forward.
- Also, with respect to us, you need to understand the perspective in which we should see SSGs, right? Our growth strategy is -- I'll give an example here. We generally go into a new town, we

start with Metro, okay? As soon as Metro -- say, a Metro store starts doing INR30 lakhs, INR35 lakhs revenue, we top it up with Mochi. Now when we do that, what happens is in that particular year, Metro store will see a degrowth. But as a company, our overall revenue from that particular catchment will almost get double. So that is one of the reasons why we feel 5% mid- to high single-digit SSG SSGs are very healthy in our case.

Nissan Joseph:

Yes. A lot of it is -- we talked about the self-cannibalization effect internally. And we think it's healthy because we are tapping -- taking oxygen out of the market for our competitors. Crocs is a good example. One of the ways we opened Crocs was just to see what the Metro and Mochi were doing in Crocs, and we -- we put down a Crocs store right next to it.

Of course, that would hurt my SSGs in the Metro or the Mochi store because they would have been doing a reasonable number in sales from Crocs. So a lot of times, what you also see as those SSG is only coming in the mid- to high single digits is caused by us, but that's how we want to grow. We want to grow by backfilling markets. We want to go by clustering markets, and that often has that cannibalization effect. The risk is always mitigated when you do that as opposed to when you go to greenfields markets.

Akhil Parekh:

Sure. This is very helpful and very detailed. My second and last question is on the Walkway brand. Usually what we have seen in footwear, right, the value format, if you have your own manufacturing setup, that's when it becomes highly profitable. Would that be a challenge for us in a walkway given that we are completely outsourced model? That's my last question.

Nissan Joseph:

No, it hasn't been, to be quite honest with you. And I think we're confident that we can extract the margins we need to keep that business profitable and return a healthy return on capital for us. We haven't seen that being a distinct advantage even in the value segment for a manufacturer. But everybody plays the game a little bit differently. I think our deep operational rigor is able to keep costs down in that sector much better than a manufacturer would be able to keep costs down on the retail side. So it's a trade-off. We're good at retailing, and we want to stay focused on retailing and building the brand of retail. And Walkway is building its own reputation as a great brand.

Akhil Parekh:

Sure. So from an ROCE perspective, it could be broadly similar. Is that understanding correct for Walkway versus other brands?

Kaushal Parekh:

No, I just answered that question. Our endeavor is that over medium to long term, which is like, say, 3 to 5 years from now, we want to make sure that Walkway as a format on a stand-alone basis generates ROCEs somewhere in that range of 20% to 30%.

Moderator:

Our next question is from the line of Ankit Kedia from PhillipCapital.

Ankit Kedia:

Just one question. In Crocs, we have a buy and sell model. We would have paid higher GST out there. And with the GST coming down now, at least for sub 2,500 for other products as well, there would be a mismatch in working capital. So with this now coming in, how much is the working capital increase you see because of input credit not getting fully utilized?

- Kaushal Parekh:** No, we don't see that problem in our case, Ankit. With us, all the inputs -- in fact, closing input GST balance at each month end is just for inputs that we have with respect to goods that we have purchased in the last month, and that gets utilized when we make a GST payment on 20th of the next month. Even with the GST reduction, our input GST themselves will also come down. So considering that, we don't see any inverted duty-related issues to creep for us.
- Moderator:** Our next question is from the line of Shraddha Kapadia from SMIFS Limited.
- Shraddha Kapadia:** So my main question is with regards to the e-commerce. So if you could help break down the growth between own website versus the marketplaces?
- Kaushal Parekh:** So in terms of growth, Shraddha in H1, both our own website and marketplaces have shown similar growth. In terms of overall contribution, obviously, marketplace is -- they have a dominant share. Around 20% of sales come from our own website and 80% comes from marketplaces as of today.
- Shraddha Kapadia:** Also, if you could give store additions plan for the second half and FY '27.
- Nissan Joseph:** So we typically don't get fixated on a number, Shraddha. What I can assure you is that we are absolutely fixated on opening as many profitable stores that makes sense for all of our banners. And I think last quarter, we've shown that we will continue growing, and we will only grow when it's right for us and in the right way possible. But we tend not to get fixated on a number.
- Moderator:** Our next question -- the last question is from the line of Resha Mehta from GreenEdge Wealth..
- Resha Mehta:** Just 2 questions. One is the online channel. Would the EBITDA margin there be similar to other channels, asking this as the savings there is expected to increase? And the second one is on the volume growth. So how essentially -- of course, we are a premium player. So is volume growth also an important KPI for us in footwear? And what are the volume growth that we typically would like to see?
- Kaushal Parekh:** The first question was on the online segment. Our EBITDA margin there currently are slightly lower than what we see in the offline channel. But we can probably say that maybe we are among those handful players who treat this business in a different way and for whom the business is actually profitable. For many of the players, e-com business may not be profitable as of today.
- In the second question on volume, obviously, when we talk about SSG growth, we would want to increase both volume and gain through value increase. So if you see historically, broadly, it has been in that range of around 15-odd percent. So ASP growth has been around 2% to 3% and balance has come from volume. And that is what we would target for us going forward too.
- Resha Mehta:** So basically, a 10%, 12% kind of a volume growth and 3%, 4% kind of a value growth, right?
- Kaushal Parekh:** Yes, very true. If we target a 15% overall growth.
- Moderator:** That was the last question. I now hand the conference over to the management for the closing comments.

Nissan Joseph:

On behalf of everybody here at Metro Brands, we'd just like to wish you all a happy Diwali.

Moderator:

Thank you. On behalf of Metro Brands and Ambit Capital Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.