SHOPPERS STOP

SEC/107/2024-25 October 28, 2024

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 – Q2 FY24

We refer to the analyst / investors conference call, on **Wednesday, October 23, 2024 11:00 a.m. IST** to discuss the corporate performance for the quarter and half year ended September 30, 2024 ("Earnings Conference Call") and our letters in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ref. no. SEC/95/2024-25 dated October 16, 2024 and ref. no. SEC/105/2024-25 dated October 23, 2024, intimating of the call and providing the link for the Audio Recording, respectively.

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

Kindly take the same on records.

Thank you.

Yours faithfully,
For **Shoppers Stop Limited**

NISHIT NILESH SHETH
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Nishit Sheth
Company Secretary & Chief Compliance Officer
ACS: 43365
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SHOPPERS STOP

"Shoppers Stop Limited
Q2 FY '25 Earnings Conference Call"
October 23, 2024

SHOPPERS STOP   Perfect Relations — The science of image management   CHORUS CALL

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

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Shoppers Stop Limited Q2 FY '25 Earnings Conference Call. 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 the 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, thank you. And over to you, ma'am.

Mamta Samat: Thank you, Sejal. Good morning, and thank you all for joining us on the Shoppers Stop Q2 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 opening remarks from the management. After which, we will have the forum open for the interactive Q&A session. I must remind you that the discussion on today's earnings call may include certain forward-looking statements and must be viewed, therefore, in conjunction with the risks that the company faces. Please restrict your questions to the quarter performance and to strategic questions only. Housekeeping questions can be dealt separately with the IR team.

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

Kavindra Mishra: Thank you, Sejal, and thank you, Mamta. Good morning, everyone, and thank you for joining the conference call of Shoppers Stop Limited today. This morning, we will cover the results of Q2 and first half of the financial year FY '25. On the call with me, I have Karuna, our CFO; Jaiprakash, who's our FP&A Lead; and Rohit, who's our IR Lead. We also have with us Biju, who's our Beauty CEO, who will come at a later stage to answer any specific questions on Beauty. As always, I will begin with an update on the operating context, post which, I will cover the overview of the performance in detail for the second quarter KPIs then our strategic pillars. Thereafter we'll open for Q&A session. I'm sure you must have read the investor presentation, which is available on our website, and it has been sent to both the stock exchanges.

Let me first start with an overview of the operating context for this quarter. The external factors weren't conducive in the first 2 months. We had an early US impact in July sales. And in addition to that, we had excess rains disrupting the consumer traffic. Demand remained muted in July and largely in August. The discretionary spending was lower besides fewer wedding days this year. This impacted our sales in July, wherein we declined by 7%, and August where we had a lower growth of 5%. However, we have begun seeing green shoots from September. Our sales increased by 12%, particularly in East, which grew by 9% like-for-like.

You are aware, Q2 is conventionally a flat season. With 2 out of 3 months muted sales, new businesses and stores having a longer gestation period, we had a lower EBITDA non-GAAP for this quarter. However, as I said just now, we have been seeing a lot of positives from September to as of now, which I will cover in detail in my outlook.

Let me cover this quarter's performance with key KPI metrics. Our customer entry in Q2 declined by 8%, largely in July and August, with sequential improvement in September. Our Beauty business continues to outgrow with all the KPIs, not only outperforming within

Shoppers, but within the industry as well. Beauty continues to add significant profits in our bottom line. We opened 25 stores, including 19 INTUNE stores. We opened our 50th INTUNE store on October 1. On the departmental store, it's a mix of cautious optimism from our end and regulatory delays, which may defer some of the large departmental store opening from this year to next. However, we remain committed in opening the stores to enlarge our footprint.

Our efforts to premiumize the departmental stores have begun delivering consistent results for the last 1 year. We are in an era of premiumization, driven by demographic shifts, digital innovation and economic changes. These factors have reshaped consumer perception across India. The rise in premiumization is evident. I have said before several times that the future of premiumization in India appears bright. As consumer incomes rise and aspirations evolve, the demand for premium products and expenses will persist. We at Shoppers understand the consumer's changing needs and offer innovative premium products that cater to their aspirations.

We recently renovated our Malad store and opened it a month back. In the investor presentation, we have uploaded there's a web link, and you can virtually view the store and the offerings, In addition to that, I invite everyone, particularly those based in Bombay to visit our Malad store, and witness the change in our store look and feel and consequent increase in customer entry. We are still renovating the ground floor and that should be operational in a month from now. We are experiencing a 70% increase in productivity in the current format. In addition to this, we launched premium watches such as Titan Limited Edition, Swarovski , AIGNER, Cerruti, Aldo handbag, D&G, Jimmy Choo, Versace in sunglasses, ECCO footwear. And lastly in apparel, the most premium brand, Armani Exchange, True Religion, ELLE, Iconic, Gant, etcetera.

With these premium brands, our sales on premium brands has increased from 60% to 64%. Our premium categories grew by 6% like-for-like in quarter 2. We'll continue to launch aspirational brands to increase the premiums within our store and not only to sustain it, but become a leading premium departmental store. In my last speech, I said that our strategies are getting us desired results. We were expecting the market to be favorable. I can confidently say now external factors are improving, and it gives us a path to recovery.

Here are the snippets for our KPI. First, our Q2 sales were at INR1,296 crores with a growth of 2%. I only informed you that July and August were not favorable, but September, we grew by 12% with 9% like-for-like. Our Pujo sales in East had an exceptional performance with a like-for-like growth of 9%, which led to overall grow growth. Specifically on categories like watches, beauty and home, we outperformed other categories with high single-digit growth.

During the quarter, our gross margins are widely flat compared to FY '24. On some of the other KPIs such as ASP, IPT and ATV, they grew by 7%, 2% and 9%, respectively. As we observe, our ATV is on a constant increase in the last 3 years. IPT has cumulatively increased by circa 20%. Our EBITDA was impacted by fixed costs in new business and incremental investments, which we have made in technology. I had briefly spoken about cost reduction in my last speech. Our like-to-like store costs absolutely remained constant despite large inflation in every vertical. During the quarter, we opened 25 new stores comprising 19 INTUNE, 5 Home Stops and 1 departmental store.

From operations now, I will move to the performance of our strategic pillars, First Citizen. I'm extremely happy to say that our loyalty contribution to sales has been the highest ever in this quarter at 81%, an increase of 240 bps earnings last year and sequentially, it increased by 100 bps. Our repeat sales was also at 67% indicating strong bond with our consumers. Our First Citizen customer base is now close to 11 million. Our premium Black Card customers contributed to 14% of sales mix and they grew by 17%. We had a number of campaigns during this quarter, including the Pujo campaign in East, specifically our conversion rate of the AI personalized message and WhatsApp campaigns were much higher and has yielded positive results.

Now let me talk about private brands and INTUNE. I will basically speak about private brands. Private brands is turning around with strong performance across all categories. And as we had discussed in the last quarter, I think we are in this journey of making them really, really strong. We had a healthy volume growth of 6% from Autumn-Winter '24 merchandise. In addition to that, apparel men's and women's western grew by 24%, Kashish by 21% and Bandeya by 90% for Autumn-Winter '24 season. Overall, the private brand volume in apparel grew by 9% September.

Lower markdowns with a higher full price sales retained margin expansion of 6% in private brand apparel. This has helped us to reduce the inventory by circa INR40 crores versus last year. Our Autumn-Winter 2024 had a great beginning, improved offerings at competitive prices. Our new merchandise planning system, Goldratt, is operational now and has begun to yield positive results.

From private brands, I will move to INTUNE. I'm extremely happy to inform you that we opened 19 stores during the quarter, taking the total stores to 50. The last to open, which opened was on 1st October 2024. We had impact on sales with competitors offering EOSS in July, which we deferred to August. Our September and October as of now seems to be on track. As I said before, we should open 100 stores this fiscal in INTUNE.

Now let me talk about Beauty. Our Beauty revenue increased by 10% with a quarterly sales of INR218 crores. If we include a 100% subsidiary, Global SS Beauty, then our consolidated sales in Beauty was at INR257 crores with a growth of 19%. We had 11% ASP growth leading to premiumization journey. Our fragrances grew by 17%, clocking highest quarter turnover. Our Beauty contribution, excluding the subsidiary, is at 17%.

Our HNI event, beauty Soirre, events primarily for HNI had increased participation. Overall, our campaigns such as Ace the Base, Fragrance Couture and many brand campaigns led us not only to increase the revenue but overall customer base. We launched many new brands such as MARS, Forever52, INGLOT, Pantheon Roma, OMANLUXURY and on skincare, namely, Teaology and iUNIK.

Our 100% subsidiary, Global SS Beauty, business delivered INR52 crores sales with a growth of 130%. We've launched Reebok, Pepe Jeans, FCB, Women'secret and Ajmal.

Home Stop. We opened 5 stores and we've renovated our SIS both at Malad and Inorbit Vashi. With an improved store outlook, an increase in Black Card contribution, we had a very healthy quarter-on-quarter growth of 18% in Home Stop.

Now let me talk about departmental stores and national brands. At the beginning of the speech, I discussed premiumness on our departmental store. Our departmental stores generate largest revenue and profits. Akin to Malad, we plan to upgrade a few of our top-performing stores with international look to elevate our customer experience. During the first 6 months, we also have decided to exit some of our low productivity store. We will close circa 5 to 6 stores during the year.

With festive season in the offering, our elevated pre-festive premiumness, state-of-the-art customer journey, we are confident that Shoppers Stop departmental store should be a destination for our premium customers.

Our departmental stores had a strong like-for-like growth in September of 9% across all the categories. During the quarter, our marketing department launched many campaigns such as Gifts of Love, Pujo and for the first time launched the fashion show just ahead of festive in few cities to display our impressive and grand range of products. We are launching India Weds with Shoppers Stop, our marquee event in November. The objective is to establish our store as the preferred wedding shopping destination.

Let me talk about capex and working capital. As I said above, we added 25 stores across all formats during the quarter. We had spent INR43 crores on capex for additions and renovations. Our working capital is reduced by INR30 crores, with significant reduction in private brand inventory of INR40 crores.

Finally, the outlook. First of all, our premiumization drive will continue. With 4.8 million weddings to happen in second half, we are confident our stores should be one of the key destinations for our consumers. September was good, and as I speak to you, October starting to be better than September. We expect a mid-teen growth in the month of October. I'm confident that the muted performance in the first 5 months is slowly weaning away, and we should be able to grow by mid-single digits like-for-like in the next 6 months. We'll continue to invest in capital. We should open circa 60 to 65 stores across all the formats in the next 6 months.

At the operational level, we'll also invest in marketing through our campaigns to drive both our short- and long-term strategic priorities and build Shoppers Stop as a destination. We are continuously rationalizing the cost as we observed sequentially, operational costs for Q2 was lower than Q1, though we opened 25 stores during the quarter.

With this, I would like to wish everybody a very, very happy Diwali, and a great Samvat 2081. We can take the questions now. Thank you.

Moderator: Thank you very much. The first question is from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: Resham Jain: here from DSP. So I have three questions. First of all, in the presentation, I couldn't see the revenue from the online or the omnichannel business. I don't know, until last year, we used to give this number, but I couldn't see that in the presentation. Is there any specific reason why it is not given?

Karunakaran M.: Nothing of the sort, Resham. The net revenue -- I mean, net of GST is roundabout INR30 crores and including GST, it's roundabout INR34 crores. I mean there is no specific reason. I mean, we thought with the other verticals growing, and that's the reason we have not included, that's it. There is no specific reason why we have not included, Resham.

Resham Jain: I specifically asked this because over the last 5, 6 years, I think we have spent a lot of money on omnichannel, on online, and I couldn't see in the whole presentation in KPIs that is being talked about. So has there been any change in priorities over here because, if I look at most of the retailers, probably the amount of money we have spent on the digital and on the technology side has been quite high. But from the numbers perspective, we are still not able to see it flowing through.

Kavindra Mishra: Resham, Kavi here. So in our vision and the way we want to drive the organization, I think the number one priority is to be an omnichannel retailer. I think that's something which, as a strategy, we have put it, as you rightly said, 5 or 6 quarters back -- or 5 or 6 years back, and we continue to drive it. Right now, as we speak, and I think I mentioned it in the last investor deck or investor call that we are in the process of upgrading our platforms and getting into the new version of both SS Beauty, which has just become stabilized and then we will also have innovated platform for ss.com. So for the beauty part of it, I think we have not only upgraded the platform, but we have also onboarded talent, who will focus specifically on growing the beauty online and omnichannel business. I think that's a clear thing, both from platform and human resources as well.

In case of ss.com, the new app or the version 2.0, which is on a headless architecture, should be up and -- so it's already up and live. We are right now in the testing phase. And I think by the end of this month, we should be able to roll it out for the entire 100% of our consumer base. The day that happens, we will start seeing a lot of positive numbers around that piece as well. So the investments have been made. I think in the last stage of rolling out the app after ensuring that any errors or any fixes are taken care of. So the priority remains the same, Resham. There is no dilution in that.

Resham Jain: Okay. The second one is on INTUNE and I presume that INTUNE in its initial years would have an impact on the overall consolidated margins. Let's say, if we just look at FY '25-'26, next 1, 2 years, how much margin impact INTUNE could have on the overall margin for the company? Because earlier, we used to mention 7% to 8%, 9% kind of range of EBITDA margin pre-IndAS. With INTUNE coming in, how is your overall margin trajectory looking like?

Karunakaran M.: The overall margins, EBITDA level, Resham, for the company, it should -- we are still giving more or less the same guidance. Specifically on INTUNE, we do expect the store level, it should be positive at the end of this fiscal. While it may not be able to contribute the same level of the overall company, it should still contribute mid-single-digit in the next 2 years, Resham. So it should not -- see, please understand, from the overall context, INTUNE is still probably 6% or 7% this year, and it will go slightly higher, I mean it will go to the double digits next year. So in the overall context, it should not impact, though the EBITDA margin of INTUNE will be lower.

Resham Jain: Okay. Understood. And the last one is on the Beauty business. I think you have done quite a good work there. How are you thinking about, let's say, next 3 years, 5 years kind of plan here in the overall Beauty business? What will be the levers of growth? And what are your overall mid-term plans in the Beauty business?

Biju Kassim: This is Biju here. On the Beauty part of it, clearly, we are confident that we will continue the growth trajectory. And particularly in the near term, we will look forward to consolidating the good progress that we have achieved. And as I always say, we are quite focused on 3 levers, one is the expression, one is the engagement and one is the education. And also to the benefit, the distribution business is also really scaling up well, quite some progresses that we have achieved with the brands that we have brought onboard. Some good work that has happened in the short term, but again, this is a good testimony for the important things to come.

More importantly, we are just launching our private label, 100% private label by the name JOYOLOGY. And this is another important lever that we thought, along with e-comm, Kavi spoke about the e-comm piece, should help us really accelerate the momentum that we have achieved in the beauty space for the moment.

Resham Jain: So from a growth perspective, any numbers which you can give? Will it grow at any specific rate?

Biju Kassim: I can only tell you that it should get better, around the same or better, that's the view I can give you right now.

Moderator: The next question is from the line of Tejash Shah from Avendus Spark Institution Equities.

Tejash Shah: Couple of questions. Could you please share some initial insights or operational data from INTUNE? And additionally, which key operational parameters are you tracking internally to monitor the format's acceptance and then whether the product market fit has kind of evolved or not?

Kavindra Mishra: Thanks, Tejash. I think for our business, which is now close to a year old, with most of the stores, I think, which we have opened over the last 6 to 7 months, INTUNE has had a good start. I think for us, two parameters are very important. One is, how is the IPT ~~is~~ trending? And how are the conversions because they actually show the love which the customer has for our products. So we are seeing a strong trend in both IPT and conversions. They continue to remain steady. That's one part of it.

Secondly, when we thought about INTUNE, we had envisioned a business or a brand which is kids first, and it's for a family with a strong kids appearance. I think, that is something which we see to see that it is continuously doing well. Kids, as a category, continues to outperform as a substantial contribution vis-a-vis other players in the market. And I think that's something which we also look at very, very strongly.

If I look at specific product categories, that about categories like T-shirts, where probably eventually, we are becoming a destination, and that's the data which we keep on tracking very, very closely. But to answer everything put together, the love of the customers are shown by two things, one is the conversion and second is the bill value. And we are seeing that both in terms of IPT and conversion. There are very, very strong traction, which we are seeing.

Tejash Shah: And last one, what are the plans for the INTUNE rollout for next year or next 3 years? Where do you see this number kind of going to?

Kavindra Mishra: So for sure, we should be in a situation where we'll be -- our earlier guidance when we started the year was around 80, but we look at close to 100 stores by the end of this year. FY '26, we should be opening another between 120 to 125 stores. And my sense is, it will be a greater number in FY '27. So we see a lot of opportunity sitting there, we have just started with cluster. So we have just entered very few markets. I think there is a lot of potential, which is there.

And slowly as we understand the consumer, learn the markets, also learn from what our competitors are doing, I think it becomes a good learning ground for us to break. As I always keep on saying, the market size is very huge, and there's a lot of shift happening from unorganized to organized. So people who are able to offer great products or exceptional products at great pricing, which is what we want to drive to INTUNE, I think we're in a good space.

Tejash Shah: Sure. And the way you have designed the model and the way you are kind of planning the merchandise mix also, is it safe to assume that for this model to work, at least we should be clocking INR8,000 or INR9,000 per square feet kind of throughput to make it profitable?

Kavindra Mishra: 100%, 100%. In a steady state, I think we are at a much higher number.

Tejash Shah: Perfect. And then last one, I'm not sure if it is relevant as on today, this question to your model, but the quick commerce, the way it is growing and the way they are pivoting and the way they are envisaging themselves also in overall retail space by adding categories, do you see any threat coming from that point to your online ambition or omni ambition? And even to the offline, if they pivot very aggressively on fashion and general merchandise also, how do you see that shaping up for us? That's the last one.

Kavindra Mishra: Tejash, I think it's a brilliant question. So let me answer in two or three steps on this one. One, as we speak and even in the first question, I think Resham talked about omnichannel ambition. So we are very clear that -- so I will answer in two or three perspectives, one from the Shoppers Stop perspective and then other from the INTUNE perspective. I think quick commerce is a great benefit for the consumer. We have to see how it evolves for fashion. And I think it's a very evolving thing.

For us, we are looking it in two ways. One, for our departmental stores, we are looking at how we can offer within 3 hours, or how we can offer within the same day. I think -- and there, our departmental stores become the center of service. So that's something which we are testing out. For our SS Beauty site, that's something, as we speak, behind the stages of testing. And I think by end of November, we should be able to drive that, and that becomes a very powerful statement from us for the consumer. That is one.

In case of INTUNE, a little too early for us to comment, but what we are seeing is right now when brands are engaging with the quick commerce sites, they are primarily engaging on certain product categories, like innerwear or, I think, solids or core, which become the point of it. So we'll keep on evaluating. And as and when we feel that we have to drive that piece, we will do that. So definitely, Tejash, it is evolving. It will impact all of us. We will see how to mitigate and especially for departmental stores, we really want to drive it. And for us, I think quick commerce really, really expands the market size. So I think it's a great phenomena and a good space to be in.

Moderator: The next question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: Firstly, I wanted to just analyze the brand pull power of Shoppers Stop as a concept, and you could give any number or metric that you have handy, but specifically looking for, let's say, 90% of the stores are in malls. So the footfall of the mall and the footfall of the Shoppers Stop store in that mall, how has this ratio trended over time? Or any other thing that you track, which basically points to the pulling power of Shoppers Stop for footfalls?

Kavindra Mishra: So I think two things. Obviously, footfall is something which we look at. Then we also look at mall to stores and how we go about it. And the third KPI, which we look at is the Net Promoter Score, right? I think if I talk about Net Promoter Score, it's quite high. It's one of the highest among the retailers. It's anywhere between 75 or 78 plus, so I think that's a very positive score, number one.

Number two, if I look at the mall to store conversion, that's also been steady and it has not deteriorated over the last 2, 3, 4 years. So I think that -- and that's the KPI, which we really measure continuously.

I think the third thing which we always look at is also how are the conversions, whether when the consumer is coming, are we able to convert it to the offer of brand and offer services which we have. And what we are seeing, Sameer, is that, our conversions are increasing quarter-on-quarter. So as we spoke in Q2, we grew in conversion, and we are seeing higher numbers in October. So I think a lot of work is happening on that part. If I talk about the ATV, which is the other thing which we look at, that has continuously grown for quarters. So I think there are a lot of these KPIs, which we look at.

And finally, I think as a departmental store, we always want to drive the experience. So we have -- so experiences come through products, but it also comes through great service. So we have a concept called personal shopper. And that -- and I have spoken about this a lot because for me, you can get the best product, but if the experience is not good in the store, you won't be able to get that customer loyalty. So for me, I think that was the biggest carrier, and we are seeing that our personal shopper contribution in our business has gone up around 22% last quarter, and that's the highest ever, and we see a higher number happening as we speak in the month of October. So I think there are these KPIs, which we look at.

And also, we engage with our customers a lot. So there's a lot of customer listening, which we do. In the last quarter, we must have spoken to around 40,000 customers, got their feedback, on product, on the service and trying to improve it continuously. So I think, Sameer, it's a mix of a lot of things. In retail, you need to look at all the aspects and drive it, and that's what we are doing.

Sameer Gupta: Great, sir. Just a follow-up here then. So if mall to store is steady, and SSS is not growing or is disturbed, then it's basically the mall traffic, which is not coming through. Anything that you can do in this to drive -- I'm not sure. I mean, how to come back to that good SSS growth trajectory without depending on the mall?

Kavindra Mishra: No. So mall to store can be driven through various things. So we had a tech intervention, which was called AR, where we were actually showing the fashion show for the new look. And those AR screens were kept in the center of the mall atrium, and when people used to see, then I think, obviously, things were driven around that. If you look at our September and October SSGs, they look very, very promising. So it's also the entry in the mall, how we are converting them, how we are driving them to the store, there are multiple factors which we look at, right?

And obviously, we are trying a lot on building the brand. So if you would have followed the brand for a long time, I think after a lot of quarters, we are focusing on Shoppers Stop as a brand and doing strong marketing campaigns and giving reasons for the customers to come and shop. So I think we need to get the customers to Shoppers. And obviously, as we said, if they are in mall, the mall to store conversion will increase. If they are in high street, obviously, that's an easier one, so we are driving this. So we are not leaving this to chance. There's a lot of work happening on marketing and 360-degree marketing, and customer -- consumer activations to drive it.

Sameer Gupta: Got it, sir. That's great. Second question on INTUNE, specifically looking for the sales per square feet, which you used to share, around INR12,000 a couple of quarters back. So I understand that you have opened a lot of stores, but specifically the 22 stores that existed before March of '24, if you can give that number? And also overall EBITDA driver for INTUNE pre-IndAS for first half of FY '25 on the INR75 crores of number that you have reported?

Karunakaran M.: Sameer, I did not understand the last sentence. Can you please repeat if you don't mind?

Sameer Gupta: Pre-IndAS EBITDA loss in INTUNE for the first half of FY '25 on that INR75 crores of revenue that you have reported?

Karunakaran M.: Okay. At EBITDA level, it's a very insignificant amount, Sameer. So I mean you know that pretty well, we don't share vertical-wise numbers. But all I can tell you, it's a low single-digit number. It's nothing a significant number on that. Coming to sales per square feet, see, we can't compare a flat season versus a peak season. For us, October, November, December is a peak season versus July, August, September. So as of October, for stores, whichever we have opened last year, is anywhere between INR11,000 to INR12,000 per square feet.

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

Gaurav Jogani: So my question is with regards to the October progress that you mentioned, so did I hear it right that it is growing in mid-teens and you are doing -- you are hoping for a mid-single-digit kind of like-for-like growth for the next 6 months going by the performance that you are seeing?

Kavindra Mishra: Gaurav, basically, the thing is, in the month of October, right now, the trending for like-for-like growth is very similar to September. Maybe it might end up a little bit more, but we will see because we still have a very big week coming up, which is the main Diwali week, but we are seeing similar like-for-like growth, like the way what we saw in September and October, which will result in a mid-teen performance for the month of October, which includes new stores, all the concepts put together, that's one.

If I look at the entire H2, what we were saying is that given the fact that there are weddings going forward, and even if there's a little bit of a drop, we are confident that we will touch up H2 mid-single-digit like-for-like. So if you look at October, for sure, the like-for-like October would be very similar to September, if not more, and we will touch a mid-teen growth number for October. The other guidance was on for the full H2, where we said that we are confident that we'll be mid-single-digit like-for-like at least, if not more.

Gaurav Jogani: Sure, sir. The other thing is on the new brand, the Beauty that is JOYOLOGY, the private label brand. So will it be only an e-commerce brand and how different it will be from the Arcelia, because I think Arcelia was another brand in the beauty space that we are trying out, so any updates on that and this new venture?

Biju Kassim: Yes. Biju here again. JOYOLOGY is a private label, in the sense that it is developed by us along with Intercos, which is one of the best-in-class manufacturers in the globe. This brand is going to be available across all retailers, e-tailers, including Shoppers Stop. So it's a brand that will be available in the trade, and this is something that we really want to build because this area, particularly with the quality manufacturer, we see a sweet spot pricing, we think that there is a very, very big opportunity. And this will be working on an end-to-end label. I wouldn't want to say private label alone. It's a label, it will be an independent brand, and it will operate across all e-tailers and retailers available in the country.

Gaurav Jogani: Sure. And sir, update on Arcelia? I mean, where are we in the journey with Arcelia right now?

Biju Kassim: Yes. So Arcelia is a private label currently available only in Shoppers ecosystem. And Arcelia, the clear winner within Arcelia are the fragrance range, and JOYOLOGY is a 100% makeup brand. So we are just making sure that we have the right to win in each of these categories, and JOYOLOGY will be focused especially dedicatedly in the beauty space, in the color space.

Gaurav Jogani: Okay. Got it, sir. Sir, my last question here is with regards to the margins again. Given that the first half has been impacted clearly due to the overall environment not doing well, but what will be your guidance then in terms of the margin for this year and the next 2 years in terms of the pre-IndAS margins?

Karunakaran M.: Thanks, Gaurav. We did mention last quarter also. Our IndAS -- sorry our non-GAAP margins will be in the mid-single digits, the date of this fiscal. I'm talking about EBITDA margins. Next year, we'll definitely see an improvement at least by 100 basis points, if not more than that. It's a bit difficult to say that number right now, but we are internally targeting a high single-digit number for the next year.

Gaurav Jogani: So that means because the way the performance has been in the first half and the way we are guiding basically for this year as well, do we see a significant acceleration in the H2 then in that case?

Karunakaran M.: Yes.

Kavindra Mishra: Yes. I think, H2 -- as we mentioned, H2 should be something which should be much stronger, Gaurav, for us both in terms of...

Gaurav Jogani: So my question was that if the cost would largely remain where they are right now and given that the leverage that we have, that is the underlying thesis for this.

Kavindra Mishra: Your voice is fluctuating, Gaurav. A bit difficult to hear.

Gaurav Jogani: So sir what I was saying was -- yes, the margin base -- my question was more on the cost side. So we expect that the cost overall largely to remain now under control, that would be contributing to this margin expansion. Is that understanding right?

Kavindra Mishra: Absolutely right, Gaurav. In fact, again, in the last quarter, we spoke, I mean, internally, we have taken a cost reduction exercise. I know the numbers in the first 2 quarters are not significant. But the drive is already on. We are reasonably confident that, that will definitely improve the overall margins from the year before.

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

Devanshu Bansal And all the best for the upcoming season as well. Kavi, I wanted to check on 2 things. One, you mentioned that 4.8 million weddings are expected in second half, right? So overall, I guess, for full year, the country sees about 10 million weddings. So wanted to check if this number I heard is correct because H1 typically had a lower wedding season, right? So H2 should have -- should see higher number of weddings. So 4.8 million, is the number correct, that I heard?

Karunakaran M.: 4.8 million wedding is in the second quarter -- second half, I'm sorry, second half. That's what it was reported in economic times. If I remember right, it's either 2nd October or 3rd October dated. So it was all in the press saying that the second half will have close to 4.8 million weddings, whether that will turn to 10 million weddings for this fiscal, I don't think so because the first half, the weddings were far and few.

Devanshu Bansal: Understood. Second, I wanted to check that we are planning to open about 65 stores across formats in H2. Plus we must have invested in inventory also for existing stores in preparation for the festive season. Do you foresee a rise in debt levels from H2 end? Or we'll be able to sort of service this expansion through internal accruals?

Karunakaran M.: No. We expect the debt levels to marginally come down from September 30th.

Devanshu Bansal: Understood. What would be the overall capex and working capital investments, Karuna, for these 65 stores, if you could just highlight.

Karunakaran M.: Let me give you the number. For the full year, we expect the overall capex to be anywhere between INR200 crores to INR230 crores, given take here and there because our capex includes not only INTUNE, departmental, Beauty, Home plus also renovation, like, for example, what we renovated in Malad, almost costed us more than INR20-odd crores between INR20 crores and INR25 crores. So it includes renovation as well as all these things.

In addition to that, we are also investing INR20 crores in a new warehouse in Bhiwandi. So if I add all these things, our total capex will be anywhere in the range of INR200 crores to INR240 crores, Devanshu.

Devanshu Bansal: And any working capital investments? Or is this included in this number itself?

Karunakaran M.: No. Working capital will be different. See, working capital, by and large, will remain at the same levels. Except for INTUNE, we expect a marginal increase in the inventory. That's it. Other than that, you are aware. Rest of the brands are primarily so that's not the issue.

Moderator: The next question is from the line of Akshay Kotari from GHP Group. Please go ahead. With no response from the current participant, we will move on to the next participant. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.

Ankit Kedia: Probably this is a question on non-app business. We have seen a lot of global retailers position themselves departmental stores to non-apps? You are one of the biggest non-app retailers in India with more than 40% contribution. And non-apps margins are also significantly higher. So is it that in the apparel business, the pain is much more to you today versus the non-apps? And 3 years out, how should we look at the mix between app and non-apps for the departmental store?

Kavindra Mishra: Thanks, Ankit, you always ask strategic question. So okay, let me try to answer them. So as you rightly said, so if you look at Shoppers Stop journey, we started with apparel heavy and then over a period of time, we have moved to a 45% non-apparel and a 55% apparel contribution. If you look at the non-app business, it was for us in two ways, and there's a challenge. How it works for us is that in this journey of premiumization, it's always easier to premiumize through non-apparel. So I think we have picked up categories like beauty, watches, handbags, and we are seeing amazing benefit out of it. That's one.

The sales productivity of non-app is much, much higher than of apparel business. The only challenge for non-apparel, the margins are lower. But the fact that when we look at the business, we look at GMROF or the net margins which we get from the categories. I think non-apps is a preferred category for us, and we will continue to drive it. If you ask me how I see the business going forward, in the next 3 years, I see either a 50-50 or a 55% towards a non-apparel and 45% towards apparel. I think that's the zone in which we will be slowly driving the business.

Obviously, it has to come through getting the brands, which are only available with you to doing tie-up with your partners in beauty, in watches and handbags, which are exclusive for you. This is a journey in which we are in. In certain categories, we're already ahead in that journey. In certain categories, we have just started the journey. But I think non-app is a clear differentiator for us, and this is something we will continue to drive.

Other product category, which really work very, very well for us is footwear. I think there is some amount of churn in the industry right now because of BIS, but as it settles down, I think footwear is another interesting category. As we speaks, we have partners like Ecco, which have come to us very, very strongly. And I think we are looking at performance there.

And obviously, we have -- we also if you would have seen we have just opened 5 Homestops stores. We are seeing a lot of traction in home. The early signs are very good. And I think there's a lot of opportunity there because the market size is huge, and we are a very small player there. So I think that's an area of growth for us going forward. But to broadly answer your question, non-app is area of focus, and I see them going much more faster than apparel.

Ankit Kedia: Sir today, how many consumers shop for non-apps because the ASP would be much higher? So how are you targeting these consumers? Because if you look at the malls layout as well, they're also focusing a lot more area to non-app guys today, right? So competition there will also increase not from the apparel guys, but from a D2C brand's perspective.

Kavindra Mishra: So as I said, because again this journey of premiumization, a lot of the brands who want to be in a multi-brand environment and want to have a penetration across the markets for them, Shoppers Stop is a great offering. We have seen across product categories, as we have premiumized, brands have moved them and have been able to get that customer. That's one.

Second, I think we have got a very strong loyalty base. In a loyalty base of 11 million, we also have personas, which focus and sell a lot of non-app. So I think through the mix of that through our loyalty, we have been able to drive and target that customer.

We also do a lot of -- we do also a lot of cross-category driving. For example, as we speak, one of the differentiating factors, which we have is we have a map combining with apparel brands and seeing how can we drive revenue. So I think for us, the non-app is the ladder to start the journey of premiumization. And we provide that 112, 115 stores base, which not many players have. So I think that's the whole thing.

Also, if you look at our layout, as you enter Shoppers, you have beauty and then you have the non-apparel. So to get a ground floor, a lot of these brands become very, very critical part. And I think that's how we are able to drive these partnerships with them.

Ankit Kedia: And do you think in INTUNE this non-app journey will start after a couple of years, first the app settles down or INTUNE will be more of a apparel player, not an non-app player?

Kavindra Mishra: So definitely, as we mature the brand, we will have the play of non-apparel as well. I think as I always keep on telling people that is just the start for INTUNE. As it settles down, we will also start getting learnings. So I wanted to fix -- or we as a team want to fix apparel and penetrate those markets. For example, if you're moving to north, right, you need to fix the piece of winter wear and how you will do it in INTUNE. I think some of these lessons and learnings which we are capturing. But for sure, FY '26 is when you will start getting the sense of non-apps in INTUNE.

Ankit Kedia: Sure. And Karuna, just a question on debt part. Our debt has increased in the first half, given obviously subdued performance. Do you think you had given us a 3-year target of INR300 crores capex each year and being debt free, do you think you're still sticking to that target of yours?

Karunakaran M.: Not this year, Ankit. It's again a great question. Not this year. This year, we will still have a debt of INR120 crores to INR130 crores net. But next year onwards, we should be able to come down to a lower level. And from year 2, we should still see a surplus because I think you also made a statement, right? Because of the lower EBITDA, the debt is higher. Otherwise, we should be able to manage less than INR100 crores next year and probably a debt free in year 2, Ankit.

Ankit Kedia: And from a capex perspective, are we exploring the franchisee route in INTUNE earlier than expected? Or do you think that would still be from next year onwards?

Kavindra Mishra: Ankit, I think in a couple of quarters, you will hear from us on that. It's WIP as we speak. In couple of quarters, I think we'll be able to share.

Moderator: The next question is from the line of Gaurav Gandhi from Glorytail Capital Management.

Gaurav Gandhi: My first question is how the company is trying to position itself in the market, like should we look at Shoppers Stop store as premium offering competing in that area and INTUNE first fashion value offering competing in that respective category, what are the thought process here?

Kavindra Mishra: So Gaurav, thanks for the question. For Shoppers Stop business, the vision is that we are on and what we try and drive every single day in the organization is either India's largest and the best omnichannel premium retailer. That's the journey in which we are on. And every single management decision we take as a team is focused around that. In case of INTUNE, the focus is very clearly, we are in the segment of value fashion and that is where we want to be India's #1 and India's leading family first fashion retailer.

Gaurav Gandhi: Okay. And the other question is the appeal of the store matters a lot for many customers and impacts their decision-making. Also the efficient utilization of the space in the store matter for the business. How are you working on that front in terms of renovation of existing stores and new stores and make them more effective because these things will lead to improving footfalls and eventually higher sales for the company? So can you throw some light on that, please?

Kavindra Mishra: Okay. So there are two parts of it. And Karuna will answer the capex part, but I will try and answer the decision making part of it. So there are two things, Gaurav. One is we look at the brands and say that what are the brands, which perform well for us and which don't perform well. So in the cases where we feel that the brands are not performing, we do a churn of brands. That's one thing for sure we do.

In terms of if you're looking at the store, we have this continuous tracker around the life cycle of a store, so we know that after a certain period, the store start having a trouble in terms of whether it's the throughput or the number of walk-ins and that is when we go for a store renovation.

Typically, if -- so as we speak, around 70-odd percent of our stores are with the new identities. I think that's something which we do that. In fact, in that context only, which we spoke about Inorbit Malad, which is where we have taken the whole store look at and feel to the next level. And if you are based in Mumbai, Gaurav, we would love to show you the store. I think that is the journey which we are on. And obviously, wherever feasible, we optimize space as a part of renovation. So for example, Malad, we had 3 floors. We have got all the brands now on 2 floors, and I think the throughputs are really, really strong.

Karunakaran M.: Coming back to your next question, Gaurav, on renovation, normally, we spend anywhere between INR1,500 and INR1,600, INR1,700 per square feet on the renovation. And every year, we internally evaluate which of the stores we need to renovate. And accordingly, we renovate anywhere between 4 to 8 stores every year. Sometimes it happens in the first half, most of the time it happens in the second half because February and March are the peak of slack season, so there is a time it happens. So there is a structured program within the company, which are the stores we have to renovate, and we do it without any fail...

Moderator: The next question is from the line of Shalini Gupta from East India Securities.

Shalini Gupta: Sir, two questions at my end. One is that, we would have found some amount of festive purchasing, which has happened during the quarter, yet we find that the gross margins have come off. So why would that be number one? And number two, we find that the other -- that the interest had shot up quite substantially. In fact, it's double what it was in the first quarter. So what is the reason?

Karunakaran M.: See, in terms of gross margins, last year also we had end of season sale, and this year also, we have end of season sale. Margins are, other than -- I mean, post-August 15th, it's a full price sale. So the margins would be something similar to last year, except there were some onetime benefits last year, which did not come up, but that was not significant. That may be 30 to 40 basis, that may not be significant. I did not understand your second question, what you were saying?

Shalini Gupta: Sir, what I was saying is that in this quarter, we find a very high interest expense at INR120 crores -- INR122-odd crores. So I'm just asking what happened, what changed between first quarter financial year '25 and what has changed now because the interest expense has doubled.

Karunakaran M.: Okay. So Shalini, the interest as per the GAAP includes the lease cost. If the lease cost goes up, the depreciation and the interest cost goes up, that -- as per the Accounting Standard 115. That has nothing to do with the actual interest cost, what we pay on the loans and overdraft.

If you see our investor presentation, where we have given financial, first half of FY '25, we have clearly given both the non-GAAP and GAAP financials. And if you see the finance cost, it remained exactly INR6 crores last year and INR6 crores this year. So you have to see that because the interest cost of the GAAP includes the lease rentals. If the lease rentals goes up, the finance cost will also go up.

Shalini Gupta: But I mean, why is it happening only in this quarter? It would have happened in the first quarter as well?

Karunakaran M.: Yes, it has, it could have, right?

Shalini Gupta: But in the first quarter, we find an interest expense of around INR61 crores and that has shot up to INR120-odd crores, the lease cost would have been included last quarter also?

Karunakaran M.: No, Shalini. You've seen, in the first quarter, the finance cost has gone up by -- I'm talking about the GAAP numbers. So first quarter, the finance cost has gone by INR6 crores and second quarter has gone by INR9 crores. Totally, INR15 crores has gone up in the first half. Again, I'm repeating, this is purely because of the leased rentals. If you see sequentially, our lease rentals are higher. That's the reason -- see, when we open the newer stores, obviously, the interest cost which is nothing but disguise as a -- lease cost will automatically increase. My only request would be, please go through the non-GAAP financials where the actual interest cost remained constant at INR6 crores and INR6 crores.

Moderator: The next question is from the line of Aditya Desarda from Motilal Oswal Financial Services. Please go ahead.

Aditya Desarda: So basically, as you mentioned in the last con call that you have made a conscious effort to reduce target brand inventory by INR65 crores. Can you elaborate on the specific strategies, which are implemented to achieve this reduction?

Kavindra Mishra: Sorry, can you repeat?

Karunakaran M.: Reduction in private brand of INR40 crores.

Kavindra Mishra: Aditya, I missed there. So can you please repeat the question?

Aditya Desarda: Yes. So in the last conference call, you mentioned a conscious effort you have made to reduce private brand inventory by INR65 crores. So can you just throw some light on specific strategies that you might have implemented to achieve this reduction? And how these strategies are expected to impact your trading margins in the coming quarters as well?

Karunakaran M.: Aditya, I'm sorry I have missed it in the first go. So there are 2 parts of the strategy which we implemented. One is, we looked at the brands and said, can we reorganize the brand and see whether some brands -- especially in men's wear we had brands which were, of course, I think replicated in similar format. So for example, we had a life, and we had a jeans and a casual. We had brands replicating their presence, so we looked at the brands and make them cleaner in the sense that each brand will talk to a certain customer and certain value. That is one part of it.

Second, we looked at our OTB buying process. We have also implemented Goldratt, which is a merchandising software, which looks at the real option plan for each store, each unit and then throws out the inventory requirement, adoption level and also helps with the entire inter-store transfer. With the help of these, we've been able to put the right kind of brand, made right assortment for each, which has helped us order less but order right. So the idea is not to have a lot of inventory, but the idea is to have the right the inventory at every store. It got implemented over summer and so Q1 and Q2. And that is already we are seeing the benefit of that.

In terms of margins, I think we will have a substantial -- or we will have an substantial impact of margin expansion, especially in Q3 from private brands. Even if we speak about Q2, we have seen that there's a margin expansion in private brands business, especially apparel. And we see and we forecast that it will increase further as we go forward. I think a lot of discipline has been put in terms of the way we're ordering and managing the business. We had some exercise in the past, I think which we have now got over. So very confident that this is something which will be an increasing thing. So one of the key factors, which we drive and after is the GMROF from the private banks and we are seeing a strong expansion there.

Aditya Desarda: Okay, understood. And one last question from my side is in light of growing competition from the EPOS, how is Shoppers Stop differentiating its departmental store experience and extend and drive partnerships to attract and retain customers?

Kavindra Mishra: So Aditya, this is something which we...

Aditya Desarda: Beyond premiumization, what all strategies have been employed?

Kavindra Mishra: So if you look at the customer who comes and shops in our departmental store, he is a customer who is looking for options and he wants to look at different product categories, different brands within the same product categories, people who want to shop across product categories, so I think that's something which we really build on. And if you look at each of our product categories, there are some leading brands products, which are clearly defining that customer journey. So I think that be an important thing.

In fact, we have been speaking to brands and we are very happy to note that for most of the brands, especially in markets like Pujo, which has just finished, the departmental store business was more than -- growth was more than their own EBOS. That's one part of it. So our promise for the customer is based around service, experiences, engagement, the cost category shopping, the personal shopper, which come in and helps the customer to shop right and for -- and able to predict and satisfy that consumer needs. I think there are a lot of elements which are there, Aditya, which is core product category service expansion service, which helps us to differentiate from any brand.

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

Kavindra Mishra: Thank you.