November 05, 2024

To,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1, Block-G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400051

NSE Symbol: MANYAVAR

To,
Dept. of Corporate Relations
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai – 400001

BSE Scrip Code: 543463

Madam / Sir,

Sub: **Transcript of the Conference Call of Q2FY25**

Ref: **Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations") and our earlier intimation dated October 23, 2024**

In accordance with Regulation 30 read with Schedule III of the Listing Regulations, this is to inform you that the transcript of the Conference Call with the Analysts/Investors on the Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and half-year ended September 30, 2024 (Q2FY25), organized and held on **October 30, 2024**, is hereby enclosed and the same is being made available on the Company's website.

The transcript can be accessed on the Company's website from the link given below:
https://www.vedantfashions.com/investors-category/reports-results/earnings-call/

We request you to kindly take the aforesaid information on record and disseminate the same on your respective websites.

Thanking you,

For, Vedant Fashions Limited

NAVIN PAREEK Digitally signed by NAVIN PAREEK Date: 2024.11.05 17:02:21 +05'30'

Navin Pareek
Company Secretary and Compliance Officer
ICSI Memb. No.: F10672

Encl – A/a

“Vedant Fashions Limited

Q2 FY '25 Earnings Conference Call”

October 30, 2024

MANAGEMENT: **MR. VEDANT MODI – CHIEF REVENUE OFFICER – VEDANT FASHIONS LIMITED**
MR. RAHUL MURARKA – CHIEF FINANCIAL OFFICER – VEDANT FASHIONS LIMITED

MODERATOR: **MR. ANAND SHAH – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Vedant Fashions Limited Q2 FY '25 Earnings Conference Call hosted by Axis Capital 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 this conference, 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 Mr. Anand Shah from Axis Capital Limited. Thank you, and over to you, sir.

Anand Shah: Thanks. Hi, everyone. And on behalf of Axis Capital, I welcome you all to the Vedant Fashion's Q2 FY '25 Earnings Con Call. We have with us from senior management, Mr. Vedant Modi, Chief Revenue Officer; and Mr. Rahul Murarka, Chief Financial Officer. So I'll just pass over to the management for opening remarks. Thanks, and over to you, sir.

Vedant Modi: Thank you very much. Namaskar, and a warm welcome to all the participants. I am Vedant Modi, the Chief Revenue Officer of the company. Thank you for joining us today to discuss the Vedant Fashions Limited Quarter 2 and H1 FY '25 results. I hope everyone got an opportunity to go through our financial results and investor presentation, which have been uploaded on the stock exchange as well as the company's website.

Vedant Fashions is India's leading wedding and celebration wear company. With the onset of the second quarter period, as expected, business has resumed to normalcy, which also got reflected in our performance. Sales of our customers for the quarter ended 30th September 2024 was INR3,341 million, which strongly grew by approximately 24% over the quarter 2 of last year. All retail KPIs also corresponded to the same with decent growth.

During the second quarter of FY '25, the company recorded strong SSG of about 17.3% compared to the last year's second quarter. Performance in the first half of the financial year '25 was not identically comparable due to the first quarter of FY '25 being a one-off exceptional quarter with extremely low and negligible wedding dates nationally.

In the first half of FY '25, sales of our customer was INR6,634 million. Moreover, in terms of our network expansion, we envisaged that we will have a weaker first quarter period, resulting to negligible rollouts in the first half of the year. However, we expect better expansion in the second half of the period, although there shall be certain rollouts getting spilled over to the next period.

As of September 2024, Vedant Fashions' EBOs retail area network stands at about 1.7 million square feet globally. Over the past few months, we have focused a lot on marketing strategy to further enhance our brand's positioning and appeal.

We have worked meticulously on our strategy and campaigns across brands and have onboarded prominent celebrity, actress Janhvi Kapoor, as brand ambassador of our women’s wear brand Mohey. The new campaign, Jab Aap Taiyaar, Hum Taiyaar, also features other actors like Parul Gulati and reflect the shift in how marriage is perceived by today's women.

It's more about personal empowerment, readiness and focuses not only on the bride but also on her bridesmaid's exploring their own thoughts and feelings about marriage. Mohey is a companion to every woman's journey, ready to celebrate her individuality and choices when she feels it's the right moment. This also empowers the movement of Mohey from being just a bridal wear brand to being a brand for wedding wear for all women.

Moreover, our Manyavar campaign have redefined Indian weddings along with its cultural richness, reflecting the truest essence of a wedding in an Indian ethnic attire by making the brand as synonymous with the category. With our new campaign, Aap Kab Ban Rahe Hain Manyavar?, it explores the emotions and transformations that men experience on their journey from a boy to a groom as they transition from being relatively adolescent to a more mature man with empathy and responsibility, thereby embracing love and deeper bond.

We are happy to announce that we have successfully launched our new brand, Diwas by Manyavar, catering to festivities and celebrations across. Diwas by Manyavar is designed for the young Gen Z India with hopes, dreams and aspirations at heart, thereby offering stylish and fashionable kurtas, so people can truly own their individuality.

We are proud to be a digital first brand available across leading marketplaces and our own D2C website. We've also received a very good response, traction and feedback from the market. With Diwas, it is just the beginning of a new chapter in the celebration wear space. And this, together with our other flagship brands, reinforces Vedant Fashions as a house of brands for all weddings and celebration wear needs of a family.

Thus with business normalizing and festivities around coupled with wedding seasons ahead, we are fully geared up with the best inventory, world-class auto replenishment system and robust back-end dynamics to further foster our growth in the periods ahead.

With this, I will now hand it over to Mr. Rahul Murarka to take you through our financial performance. Thank you very much. Wishing you all a very happy Diwali and hope you all are dressed in the best ethnic attire throughout the festivities.

Rahul Murarka: Thank you, Vedant. Namaskar, and good afternoon, everyone. I would like to highlight the key financial performance metrics for the quarter and half year ended 30th September 2024 based upon the consolidated financial statement.

Starting from Q2 FY '25 performance update. The company reported revenue from operation of around INR268 crores, delivering a strong growth of 22.7% over Q2 of FY '24. The company continues to report industry-leading gross margin of 67.9% and healthy EBITDA margin of around 45.4%. The reported PBT during Q2 FY '25 is around INR90 crores, which has significantly increased by 39.3% compared to Q2 of FY '24.

The company reported a healthy PAT margin of about 25%, and the profit after tax stood at around INR67 crores with a significant growth of 37.3% compared to Q2 of FY '24. During Q2 FY '25, sale of our customer was around INR334 crores with a strong growth of around 24% over Q2 of FY '24. The company also achieved strong SSG growth of around 17.3% over Q2 of FY '24.

Now coming to H1 of FY '25 performance update. During H1 FY '25, the company reported revenue from operations of around INR508 crores while the sale of our customer is around INR663 crores. The company continues to report industry-leading gross margin of around 67.8%, along with healthy EBITDA margin of around 46.5% during H1 of FY '25.

The company also reported healthy PAT margin of 25.5% and the profit after tax stood at around INR129 crores. Further, the pre-Ind AS 116 PAT margin is approx. 27.2% computed based upon internal management MIS.

During trailing 12 months September '24, the company continued to report healthy cash conversion ratio of approx. 74%, which has been computed based upon operating cash flow over PAT during trailing 12 months.

As expected, with the commencement of Q2 of FY '25, our business has started normalizing, which also got reflected in our performance during the period. Considering the festivities around and wedding season ahead, we are very hopeful and positive for the upcoming period.

Thank you, and namaskar, everyone. I wish all of you a very happy Diwali. We can now move to the Q&A session.

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

Gaurav Jogani: Congratulations on a strong set of numbers. My first question is with regards to how the Q3 has started for you. Given there has been a mixed feedback in terms of demand for most of the consumer companies, so any sense of how the festive period has started for you and how the season is looking ahead?

Vedant Modi: Thank you very much for the question. So as I kind of mentioned in my opening remarks, we feel that business has come back to normal, and we've seen a decent start to Q3 in October. And compared to last year, even the onset of Diwali is earlier, so that has given us a decent set of numbers in October.

And we are quite excited about what's to come in the future and as mentioned, our business is very much linked to wedding dates. And as the dates are quite decent as we move into November, December and the fourth quarter, we seem to be quite positive about overall business trajectory from hereon.

Gaurav Jogani: Okay. Sure. And the next question is with regards to the network expansion. So I do understand that the network expansion has been a bit muted in H1, but you also highlighted that you expect a decent store opening. So any guidance on that front would be helpful given that you generally open 15%, 16% network addition every year.

Vedant Modi: Sure. So there are multiple sides to this entire piece. So firstly, as a company, we had planned that given business will be relatively weak in H1, we will plan majority of our openings towards the end of Q2 and start of H2. However, there was Shraadh in the last couple of days of Q2. Hence, as being a culturally oriented company, we avoided opening stores during the Shraadh period and majority of the stores that was supposed to be opened in Q2 actually opened in the first week of October. So that is one side of things.

The second is we are quite well on track in terms of our gross square feet openings, where we feel we will be at a decent number. However, we typically close about 2%, 2.5% of our retail footprint area every year. However, once in every 5, 6 years, we have a larger cleanup that we do in order to sort of have a better midterm business prospects from our existing stores. So this year, we feel that number could go slightly higher to about 4% to 5%.

And we are just sort of ramping up on exiting from lower productive stores. And yes, so overall, gross numbers are well on track. And given there's a little bit of spillover from H1 to H2 in terms of openings, that's also there. So it's a mix of a couple of things. And yes, so that's where we stand.

Gaurav Jogani: And the last question is with regards to any sense that you can give on the competitive intensity because we have been hearing that there have been now store closures, not only by a few large players, but also some small seasonal players given that the last year was a bit muted. So any sense here on how the last 6 months have panned out on this front?

Vedant Modi: As we've been mentioning in the past, we feel that the moats of our brands are extremely strong. And as data has also shown us that even when there are newer stores that open next to our stores, we don't see much of an impact. So when that is the case with newer store openings, it's a similar case with stores that have closed. So from a business perspective, newer competitors opening or closing don't have too much of an impact basis the data that we internally see.

But yes, I mean, there's all sorts of volatility happening in the market. There was a certain number of stores by a lot of newer players that had opened. Q1, Q2 did see a lot of consolidation as well from the newer players. So there is a lot of action happening on the floor from that perspective.

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

Sameer Gupta: Congrats on a good set of numbers. Vedant, just on the context of strong and spread out wedding calendar that is there in the second half, just wanted your thoughts as to what is that level of growth maybe overall or even SSS whichever way you track, which would, let's say, make it like you'll be satisfied or happy that, yes, the brand is in good shape, and we don't need to really recalibrate or reassess our strategy as to our brand. This is also given the context that last 2 years have not been as per expectations. So just I'll be happy to know your thoughts on that.

Vedant Modi: Thank you for the interesting question, Sameer. I think broadly, the way we look at it is we conduct a lot of researches and all the marketing-related researches that we've done so that our brand health is in the best shape possible, better than ever.

All the internal retail data that we kind of study suggest that conversions are better than ever, our overall merchandising mix is continuously improving. So like we've been mentioning in our previous earnings calls, we are very confident about our company overall.

However, there are a lot of external factors, especially wedding dates and more importantly, the number of weddings that happen in the country, which drive growth for us. As we are already witnessing on the floor, that is coming back to normal. And as it comes back to normal, we were pretty confident that numbers will shoot up.

And hence, basis what we've seen in Q2 and what we've been seeing for the last 5 quarters that as weddings will happen in India, our numbers will improve. I think that is what we are kind of seeing. And given the kind of business we've seen in October, we are quite sort of decent -- decently sort of happy with the performance, and we expect that we as management can continue to drive decent growth over the next 2 quarters as well.

Sameer Gupta: So you don't want to share a number where you'll be happy.

Vedant Modi: If I'm being very honest with you, I would love to share it as our endeavour is to achieve the maximum number possible. But unfortunately, we've decided to not give any guidance per se as of now.

Sameer Gupta: Fair enough. I was not actually looking for a guidance, but that's okay. I'll take that as an answer.

Second is the retail area. I understand Gaurav also asked this. But this year, especially might see a lower than your normal run rate of 15%. But all said and done, we are back on track and this 15% retail area growth should continue FY '26, '27 or you think there is a recalibration here because you're also exiting a lot of cities?

Vedant Modi: So broadly, from a midterm perspective, I would say, plus/minus 1%, 2%, we will be in that sort of a retail area expansion mode only. And as you mentioned rightly, this year, we've taken some harder calls, especially in terms of SIS for us is an experimentation model.

So there's a lot of experimentation that we do from that perspective where we enter newer cities from the route of SIS and actually exit them quickly as well when it doesn't work out for us. A new store is only opened after careful deliberation and careful research for that area. And hence, we are slightly pragmatic in our approach.

I would also sort of like to add one thing. In the last year, we've genuinely seen real estate rates shoot up throughout the country. And there are multiple reasons for that. But we've already kind of seen a little bit of it normalizing in certain parts. And the stores that we opened are 9- to 12-year lease contracts.

So we don't want to make aggressive short-term decisions that will actually impact us in the long term. So we already kind of hope that these rates will come back to its normal leverage, and that's when we will be a little more aggressive with our retail expansion as well.

Moderator: The next question is from the line of Ankit Kedia from Phillip Capital.

Ankit Kedia: My first question is on the cash flow generation. For the first time, we have seen negative OCF on pre-Ind AS basis. Our inventory days and receivable days, both have increased substantially, especially the receivable days.

So just wanted to understand, for the full year, what is the target on inventory and receivable days? And what's happened in this quarter, which led to the higher inventory and receivable days at the same time?

Rahul Murarka: So if you look at the trailing 12 months cash flow, OCF by PAT, it is coming to 74%, which is similar to what we achieved in TTM September '23 as well. But once we only look at the cash flow for 6 months period, because this year Q1 was an exceptional quarter. It behaved like a non-wedding quarter because of no weddings at all. So that is where we see a negative cash flow for H1. But from a TTM basis, the cash flow is similar to what we achieved earlier.

In terms of receivable days and as far as inventory days are concerned, look, this is a September month, wherein the season we have wedding and festivities ahead. So from that prospect, it would be slightly higher. But from a normal financial year prospect, we don't see any major -- what we have done earlier from a full financial year.

Vedant, you would like to add something?

Vedant Modi: Yes. So I would just like to add a couple of things here. I think one is we are definitely gearing up for the festive season and for the wedding season up ahead. And I think we've mentioned this in the past, as a company, our working capital days are about 110. That can be rotated almost 3.3x in a given financial year.

And typically, in a full financial year, we do 28%, 29% profit margins at a net level. So in a company where working capital can be rotated about 3, 3.5x, and profit margins are so strong, which leads to INR1 of working capital actually generating more than INR1 of PAT, our focus is to ensure that we always have inventory available for when business is there to come.

At the same time, what is also reflecting in our gross margin numbers, that our dead stock management system is as good as ever, we're actually continuously improving on that system. So while working capital days are at par, dead stock levels are being managed and we have decent inventory for the H2, that is how we look at business, and we just want to ensure we have inventory at the right place, at the right time, managed efficiently, to ensure no business is lost in the upcoming 2 quarters.

Ankit Kedia: But why should the receivable days increase? And I can understand inventory at your warehouse level being higher for the upcoming season, given that the franchisee partners pay you twice a week, we have seen even on last year Q2 to this year Q2 nearly 15, 16 days increase in receivable days.

Vedant Modi: There is a simple reason for that, actually. If you look at Diwali, Diwali is about 2 weeks ahead this year. And we actually build up inventory at the store for Diwali. So a lot of buildup happens. So last year, that buildup actually started in October, which spilled over to Q3. This year, that buildup actually happened at the end of Q2. Hence, that 15-day difference is just a matter of Diwali being 15 days earlier.

Ankit Kedia: Second question is on Diwas. Given that the price points are very sharp for the D2C, how are the gross margins here being modelled? And from a 2-year perspective, where do you see this brand shaping up in the portfolio, given that you've stopped giving us the revenue breakup across brands? So 2 years out, will Diwas become bigger than your third menswear brand, which we have for the MBO market?

Vedant Modi: Yes. I mean by the third menswear brand, do you mean Manthan?

Ankit Kedia: Yes.

Vedant Modi: Yes. So I mean, strategically, Manthan was our incubation brand and the way Manthan has come to life and strategically as part of the company is in the form of Diwas. So that has been new approach for Manthan, to be honest.

And the second side of it, from a gross margin perspective is, today, it is slightly lower than the company average, but we feel because it's still in a relatively nascent stage as we scale up and volumes increase, we feel we will be comfortably operating at company level averages today. So we don't see any challenges in that.

And yes, Diwas, we've been live on all marketplaces throughout the dealer network and our own D2C website majorly from 1st of October. And we've already seen very decent traction from a first month perspective for a new brand.

Ankit Kedia: So is it fair to assume that Manthan will not exist? And even in the MBO channel, we'll push Diwas going forward?

Vedant Modi: Yes. So the major strategy, at least from a 2- to 3-year perspective, will be Diwas. And that is where the entire focus will lie.

Ankit Kedia: So both online and MBO channel, because currently, it's only on D2C and not in the MBO.

Vedant Modi: No, it is already in the MBOs. So this year, we have taken orders for both Manthan and Diwas because of our product planning being slightly longer in nature. However, sort of next year onwards, the focus will largely be on Diwas from an MBO perspective as well.

Moderator: Thank you. The next question is from the line of Tejash Shah from Avendus Spark. Please go ahead.

Tejash Shah: Vedant, previous few quarters were unprecedented in terms of slowdown, and you also called out multiple times on the call, previous calls also. So something likely unfamiliar to our franchise partner also, right, the way we saw first time that kind of slowdown, franchise partners also would have been witnessed it for the first time.

So usually, we have seen that franchise is a very close knit community and then the word spreads around fast. So are you currently facing any challenge in recruiting new franchise? Or how are the inquiries going on, on that count?

Vedant Modi: From a franchisee perspective, we still don't face any challenges. Like I mentioned, from a store opening perspective, the only relative challenge, which has increased is rental costs, which we do see and hope will slightly come down in the future.

From a franchisee perspective, there is no challenge. Actually, if I tell you internally, how the workflow happens is we sign a property. The business development team actually signs a property because we are always confident that finding a franchisee will actually not be tough at all given the kind of returns that they're able to achieve on their investment.

Tejash Shah: Okay, okay. Clear. Second, you mentioned also -- you mentioned about demand normalization from Q2 onwards. Could you provide some qualitative insights on any brand which is kind of doing better than average or some brand which is still struggling? Or any reasonable observation if you can share?

Vedant Modi: Broadly, if I tell you, if we look at the last couple of quarters, Tier 2, Tier 3 was overall performing relatively worse than Tier 1. That entire peak has sort of flipped in the last couple of months, which is very exciting to see. That is where the majority of the pain was sort of lying.

And from a non-wedding wedding perspective, last couple of quarters, non-wedding was doing decently well and wedding, the groom bride segments were struggling. But in the last, again, couple of months, all segments are doing really well. So I would say some segments in our company was slightly muted, but they have also come back to growth, which is what is sort of exciting us and leading us to better expectations.

Tejash Shah: Sure. And the last one, if I may. If I remember correctly, we had some change in our marketing or branding agency recently. So curious to know any anticipated pivots in our brand building approach. Could we see potential increase in branding investment, any insights if you can share?

Vedant Modi: Again, I think, Tejash, I think one thing which we did interestingly well is saved up a lot of money in the first half of the financial year. So H2 will be very aggressive spend from our end from our perspective. But at a financial year level, the sort of A&P spend that you see will still be normalized. So I think internally, we've been efficiently able to manage that.

But again, business is dynamic. If something really clicks for one of our new brands, we will not hesitate to scale it up. And yes, so it's difficult to say as of now. I don't per se sort of see anything happening in this particular financial year. But if business requires us to take a dynamic call, we won't shy back from that.

Tejash Shah: Sure. And just checking from our presentation perspective, have we -- do we have still any Bollywood celebrity or Tollywood celebrity for our Manyavar brand?

Vedant Modi: Yes. So we still have Ramcharan onboard, which we continuously promote in South India, whereas we've taken a relatively different approach for non-South Indian regions this year, and we are using a relatively known face which is Avinash, but still, I would call it a non-celeb led brand building campaign to actually focus on the core campaign, which is Aap Kab Ban Rahe Hain Manyavar? to signify what it means to be a Manyavar man.

And the moment you use a celebrity, the focus shifts from the campaign to the celebrity to some level. So as part of our overall strategic rehaul, we are focusing more on the tag line this year than on the face.

Moderator: The next question is from the line of Nihal Mahesh from AMBIT Capital.

Nihal Jham: My first question was, in the strong SSG that we've seen for Q2, possible to call out if there was a strong contribution from the scale-up of Mohey?

Vedant Modi: Yes. So if we look at from an overall YTD perspective, Mohey SSG has definitely been better than the company average, and Mohey continues to do pretty well. And yes, so -- but if you ask me still because the scale of Mohey is not very high. Mohey's role in moving company level SSG average still does not work out that way. So Mohey did sort of help in the numbers, but it didn't significantly shift any number from an SSG perspective.

Nihal Jham: Understood. And just a question, Vedant, now on the brand preference list internally, Diwas, obviously, as you also highlighted from an MBO and online channel, has a decent TAM if obviously executed well. So is it that now in terms of pecking order perspective, what is the thought we have?

Because last year, obviously, there was aggressive campaign in terms of scaling up even in some of the other premium brands and we saw a lot of premium real estate openings happening there and Mohey has obviously been something that we've been working on since the last 8 years. So what would be the preferred pecking order internally in terms of scaling up these brands now?

Vedant Modi: Actually, it's interesting but a very difficult question to answer. I would say internally, if we look at it, Manyavar is given a different level of respect, for sure. But all the other brands have its own vertical, have its own teams from a marketing, merchandising and distribution perspective. So I would say all of them are treated pretty well equally.

But given that Diwas is a men's kurta brand, our expertise in this arena is already very high. So for us to turn around this brand was relatively easier than the other tasks that we've taken up in the past with the other 2 brands that we've launched.

Nihal Jham: Got it. So this is not a brand that you will be spending too much of marketing budget on. That will mainly be towards the Manyavar and a Mohey only?

Vedant Modi: We will be spending marketing budget, but actually, the marketing will be more BTL and performance led. So we won't necessarily be spending a lot of brand building money, but we will be spending a lot of sales or performance-oriented money on Diwas.

Nihal Jham: Understood. Just final question on Diwas. You do look at obviously scaling up in the MBO channel. Is a thought about the number of counters you expect this brand to reach over the coming couple of years?

Vedant Modi: Yes. So again, interesting question. We're actually doing that entire study in this financial year. Given that it's a new brand with sort of relatively limited inventory for this financial year, we are doing all the test and researchers to understand the potential of counters and the potential of throughput from each counter that we can achieve.

But the first reaction that we've received in October is very healthy. And we are quite excited for the brand in the next coming financial years. And I think we will be a lot better placed to answer this question by the end of quarter 4.

Moderator: The next question is from the line of Rishi Mody from Marcellus Investment Managers.

Rishi Mody: Vedant, just first question I wanted to understand, like you recently in the past 1 year exited a lot of cities, and you said it's a clean up exercise that you all do every 5, 6 years. So which kind of cities were these? And what was the pain point here that we had to exit these cities?

Vedant Modi: It's a mix of all things. It's number one, a mix of a lot of experimental SISs that we had opened. It's also a balance of Tier 1, Tier 2, Tier 3 markets. In Tier 1, the typical reason why this has happened is when a market moves from a certain locality towards certain areas.

I'll give you one example of Hyderabad. Abids used to be a very famous market, but Abids' traffic slowly is actually moving to Himayat Nagar. So now that's a market shift that we're seeing because of better roads being created in Himayat Nagar versus Abids. So these kind of trends actually play out from a 6, 7-year perspective, leading to some store closures in one area while we actually invest more money in the other area where the market is moving towards.

In Tier 2, there are similar examples where we are opening very large flagship stores and you're kind of seeing traffic moving those. From a Tier 3 perspective, again, there are different reasons. One is, again, focusing on opening nicer, larger exponential stores in certain areas and we've shut some of those smaller stores. But again, as part of a business development plan, we've either already covered the cities we've closed our store in or the plan is to cover them with a better experience store in the coming quarters.

So typically, we've actually fully consolidated nonproductive stores that wouldn't have led to great business anyways. From a midterm perspective, we actually think this was a very good decision from a company perspective, and we have a very healthy sort of store inventory now.

Rishi Mody: All right. So I understand the rationale of shifting markets and hence, shifting stores. Cities I'm quite not understanding here but I'll take it up later with you.

On the Diwas piece, right, what is the propositioning that you all are giving with Diwas? And does it cannibalize Manyavar? Thirdly, just I was seeing that Diwas is available on quick commerce as well, right? I think BlinkIt and Zepto or someone. And it was out of stock, often out of stock.

So just wanted to understand what investments are we making on the supply chain for ensuring that product availability as well as the SKU -- getting the right SKU because I'm guessing they won't allocate a lot of space for this. So just trying to understand what investments are we making out there.

Vedant Modi: Sure. Thank you for this question. So from a Diwas perspective, the entire proposition is to address the festive opportunity that lies in India. Now with Manyavar, we are very focused on catering to the wedding market. What Diwas allows us to do is to focus our range of pricing towards the aspirational audience that wants to buy multiple kurtas for festivals across the country.

Now typically, one individual in India celebrates four to five festivals. While there are 50-plus festivals, one person would celebrate four to five festivals. So the whole proposition is how can we offer the Gen Z and millennial audience of India a very fashionable product at decent pricing but with a very aspirational brand. And that is what the entire proposition is.

And secondly, getting to quick commerce, today, what the way our relationship with quick commerce works is we actually supply inventory directly to the main warehouses and what inventory lies in which city and which hub of theirs is completely taken care by them as of today.

But as we scale up with them and as we see quick commerce being one of the leading commerce platforms in India, we will have a better relationship with them, and we will sort of get into supply chain nitty-gritties and support them with our own data in terms of where should we keep which inventory, so that inventory turns are faster and that we don't face certain out-of-stock propositions that you might have seen. But today, that entire end customer experience is being fully controlled by them.

Rishi Mody: All right. Understood. And are they open? Like I'm guessing this would be a proprietary thing for them to not share what inventory is being placed or how do they do the inventory management thing. So they are open to you being able to access that data?

Vedant Modi: I think two parts. I think two parts. We are actually not going to be sharing any data per se. We will be utilizing our own replenishment model to guide them where they should keep which inventory. So we will be helping them with our own data because I'm not sure if they would have the kind of data in the Indian wear industry to help us with this.

And secondly, I think from an open perspective, definitely the brands and the companies that we've sort of interacted with are the most open people we've ever made in our lives. So given that we work a lot with traditional market, for us, it was definitely a great experience working with the open mindset of these companies.

Rishi Mody: Understood, understood. Also, just to some hash out the Q2 numbers, right? So we had an early Navaratri, it started I think from this 3rd of October this year versus last year, it was around mid-October, plus there was a double Shradh versus single Shradh. So it's like a favorable Q2 for us.

So if you had to quantify how much of the revenue jump in Q2 is because of these specific factors, which is like just a timing difference, how much would you say has come on more for you on this year -- this quarter because of that?

Vedant Modi: Yes. So I mean, overall, it's again, a very difficult question to answer. But I would say the quarter overall was decent because we had 6 wedding dates. We had a little bit of Puja sales happening in Q2 as well. But let's say, how we look at October has also been decent. And then November and December is when the onset of the wedding peak it will be.

So this was what we call a normal Q2 period, which is how typically these quarters look like. And unlike last year or Q1 of this year, where we saw very different wedding dates and because of astrology, very different sort of impact on dates and Diwali being put together, we are not seeing any of those impacts this year. So I think it was overall a normal thing which we saw this year.

Rishi Mody: Okay. And your wedding non-wedding mix, is it like it used to be before all of these date issues started like 2, 3 years back? Or have people also preponed the wedding purchase in Q2?

Vedant Modi: No. Actually, what we kind of see is that given how India is moving, people want everything very quickly. So we only see a trend that people will start buying closer to their wedding days rather than actually preponing any purchases.

So I think qualitatively, that's what we are seeing on the floor. But people actually visit the market to see the product a couple of months in advance where they just come in for a feel but the purchase is actually only happening very close to the date per se.

Rishi Mody: Understood. Final, just bookkeeping question. How many Twamev and Mohey EBOs do we have right now?

Rahul Murarka: We have 150-plus Twamev and Mohey stores. 150-plus Mohey and 150-plus...

Rishi Mody: EBOs, EBOs, Rahul?

Rahul Murarka: Only EBOs are 6 EBOs for Twamev.

Vedant Modi: So for Twamev, we have 6 EBOs. From a Mohey perspective, we have 1 flagship EBO and we've already opened about 7 to 8 mall stores. So these are relatively smaller in nature. So you could say 6 and 9. But broadly, for Mohey, we have a couple of flagship stores in the pipeline, which we will be opening over a couple of next quarters. And even from a Twamev perspective, we have a couple of more stores in the pipeline.

The core philosophy for Twamev right now is to enter the best 15, 20 wedding wear markets of India and then move on to the next set of markets. From a Mohey perspective, it's similar. We want to have a flagship store in the top 10 wedding wear markets of India decently spread out between the regions and the kind of high street markets to understand what business development strategy would be fit for the brand.

Moderator: The next is from the line of Chirag Lodaya from ValueQuest.

Chirag Lodaya: In terms of retail network expansion, you said you have done a lot of store closures and consolidation, which you keep doing every 5 years. So is it fair to assume that large part of consolidation is done and going ahead, we should see good amount of addition? Is it fair to assume?

Vedant Modi: Majorly, yes. Majorly, we've actually covered a good chunk of stores. There's still a little bit left, which we will cover in the next about 3 quarters or so, maybe post the festive season. But largely, this exercise is done. And gross openings, like I mentioned, are on track. We've been doing decently on that front.

However, given the kind of spillover that we've seen from H1 to H2, there might be a little bit of spillover to next year as well. But from a midterm perspective, we are quite confident about keeping up with our retail expansion strategy.

Chirag Lodaya: Okay. And you also commented that Tier 2, Tier 3 markets have also picked up very well in the last few months. It was not the case 6, 12 months back. So is there more focus on Tier 2, Tier 3 markets when it comes to new store opening? Are we seeing any change in trend there?

Vedant Modi: So I would say, slightly, we were seeing a little bit of slowness in those markets, but we still continue to find stores and opening stores in those markets. But as business is back, I think definitely that will help us move faster with these markets as well.

But overall, if I talk about how we look at openings, our strategy is pretty decently spread Tier 1 versus Tier 2, Tier 3. And even on a net rollout perspective, if you look at last year, 44%-odd was Tier 1 and the remaining 55%, 56% was Tier 2, Tier 3.

Chirag Lodaya: Okay, which should remain similar more or less even this year, right?

Vedant Modi: Again, I wouldn't say similar, but 50-50 broadly you could say is from a long-term perspective, what we see right now.

Chirag Lodaya: Right. And Diwas, what is the price point? And how you think about Manyavar's entry level products versus Diwas? What gives you confidence that there would not be any cannibalization between both the brands when it comes to entry-level products?

Vedant Modi: Sure, I mean the price points are definitely different. Diwas operates in broadly the INR1,000 to INR2,000 kurta price points. From a Manyavar perspective, we primarily play in the INR2,000 to INR6,000 range.

What gives us the confidence is, I would primarily say two things. Firstly, the channels are very different. Online and MBO channels are not used by the wedding wear audience. It is typically used by people who want a kurta for daily wear, festive needs, quick needs per se. So with channel differentiation in itself is the biggest support of supporting any cannibalization thoughts.

The second part is also the product is very different. The product you would want to wear for a Diwali versus a product you would want to wear in your own wedding or to attend your brother's wedding are two very different product offerings.

So it is actually helping us as a company to evolve our product strategy and understand what product we should make for festivals at certain price points versus the kind of products you want to create for weddings at certain price points.

Chirag Lodaya: Got it. Just one bookkeeping question. This quarter, other equity is down INR70 crores, INR75 crores versus March number. So what has led to that?

Rahul Murarka: So because of payment of dividend. That is...

Chirag Lodaya: Dividend payout is INR20 crores in the cash flow.

Rahul Murarka: INR206 crores.

Moderator: The next question is from the line of Akhil Parekh from B&K Securities.

Akhil Parekh: Congratulations to team for delivering a strong set of numbers. Vedant, my first question is on the SSG part. I mean, in 2Q we have seen a good SSG and you partly explained that has to do with probably some lower base and higher revenue [inaudible 0:46:00] in 2Q. But apart from that...

Vedant Modi: You are slightly less audible. If you speak slowly, I think we can hear you.

Akhil Parekh: I was saying have we taken any price actions or any other course corrective measures during last quarter which has also helped us to clock this SSG of double digits?

Vedant Modi: No, nothing like that. I would say it's a continuous effort with merchandising mix. In certain areas where we feel we need to premiumize, we've been continuously premiumizing. In certain areas where we feel we need to have better products at certain price ranges, we've actually developed those products at those price ranges. Overall at a company level, our ASP has slightly improved by about 1-odd percent. So there's nothing led to sort of a big shift in prices anywhere, but I definitely feel we've worked extra hard on our merchandising mix for the varied areas of India we operate in.

Akhil Parekh: And second question is slightly from a midterm perspective. If I look at historically, FY '18 over '24, sales are roughly kind of compounded at 10% CAGR. As a brand, do you foresee that it is possible to maybe grow at a higher pace, probably at 15%, 18% compounding over the next 3 to 5 years? And what possible factors or levers would drive that kind of a growth?

Vedant Modi: Sure. Thank you for that question. As we mentioned, our endeavour as a company is always to sort of open decent network expansion and sort of operate at a plus/minus 2% at 14% sort of network expansion. Along with that, the endeavour is always to improve our product mix, lead to better footfalls, better conversions, higher basket sizes with product development and new product launches and leading to better SSG growth as well.

So our endeavour from a mid- to long-term perspective is always to achieve numbers like those. But yes, I think broadly, we strive to achieve the best number possible, but I'll be unable to give any guidance per se on this.

Akhil Parekh: My third and last question. From channels, we are hearing that we have probably -- possibly launching any accessory items, maybe like perfumes and all. Any plans around those kind of thing?

Vedant Modi: Sorry, you weren't very audible. I heard dupatta and accessories.

Akhil Parekh: No, no. No, I was saying accessories like perfumes. Are you planning to launch anything on that side because we were hearing something on that front from your channel partners?

Vedant Modi: Yes. So we've actually already launched perfumes last week on Monday, and we've already seen pretty decent traction in the first week of launch. So as I mentioned, a big lever for SSG is new product launches and category expansion, which is something we will continuously focus on and keep delivering.

Akhil Parekh: Is it a soft launch or across our stores?

Vedant Modi: So it's in our top 50, 60 stores to start with, but eventually seeing the first week of performance, I think we are confident to say that it will reach majority of our stores pretty quickly.

Akhil Parekh: And it will be under what brand?

Vedant Modi: This is under Manyavar brand. So we've named it Essence by Manyavar, but it's under Manyavar.

Akhil Parekh: And lastly, bookkeeping, just to crosscheck, in terms of net gross and net store openings, I missed that part, like what is the guidance we are providing for FY '25?

Vedant Modi: So we are not giving any guidance per se. But from an overall perspective, gross openings are as per our sort of planning. Overall -- but the closures were slightly heightened. Hence, it's difficult to give an exact number right now. But overall, from a midterm perspective, we are sort of hopeful of the numbers that we've been sort of talking about.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to the management for their closing comments.

Vedant Modi: Thank you very much to all the analysts for participating and always asking exciting questions. Just a request to all of you to dress up in your best Indian attires and wishing you all a very happy festive and Diwali season. And yes, and we're also going to see a wedding quarter. So hope you all get dressed in Indian outfits when you attend weddings. Thank you very much.

Moderator: On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.