

# SHOPPERS STOP

SEC/88/2023-24

October 23, 2023

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001. <b>Stock Code : 532638</b>	National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051. <b>Stock Symbol : SHOPERSTOP</b>
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## **Sub: Transcript of Earnings Conference Call – Q2 FY24**

We refer to the analyst / investors conference call, on **Thursday, October 19, 2023 11:00 a.m IST** to discuss the corporate performance for the quarter and half year ended September 30, 2023 (“Earnings Conference Call”) and our letters in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ref. no. SEC/75/2023-24 dated October 13, 2023 and ref. no. SEC/86/2023-24 dated October 19, 2023, intimating of the call and providing the link for the Audio Recording, respectively.

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

Kindly take the same on records.

Thank you.

Yours faithfully,  
For **Shoppers Stop Limited**

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

**Encl: aa**

## **Shoppers Stop Limited**

Registered & Service Office : Umang Tower, 5<sup>th</sup> Floor, Mindspace, Off. Link Road, Malad (W), Mumbai 400 064, Maharashtra.  
T 022- 42497000 CIN : L51900MH1997PLC108798. Email : [customercare@shoppersstop.com](mailto:customercare@shoppersstop.com) Website: [www.shoppersstop.com](http://www.shoppersstop.com)  
Toll Free No.:1800-419-6648 (9 am to 9 pm).

# SHOPPERS STOP

## “Shoppers Stop Limited Q2 FY '24 Analyst Conference Call”

October 19, 2023

SHOPPERS STOP



**MANAGEMENT:** **MR. KAVINDRA MISHRA – CUSTOMER CARE ASSOCIATE,  
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER –  
SHOPPERS STOP LIMITED**  
**MR. KARUNAKARAN MOHANASUNDARAM – CUSTOMER CARE  
ASSOCIATE, CHIEF FINANCIAL OFFICER – SHOPPERS STOP  
LIMITED**  
**MR. BIJU KASSIM – CHIEF EXECUTIVE OFFICER – BEAUTY,  
SHOPPERS STOP LIMITED**  
**MR. DEVANG PARIKH – BUSINESS HEAD – INTUNE, SHOPPERS  
STOP LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q2 FY '24 Analyst Conference Call of Shoppers Stop Limited. As a reminder all participant lines will be in the listen mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone.

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

**Mamta Samat:** Thank you, Zico. Good morning and thank you all for joining us on the Shoppers Stop Q2 FY '24 Earnings Conference Call. Today, we have with us the senior management represented by Mr. Kavindra Mishra, Customer Care Associate, Executive Director and CEO; Mr. Karunakaran Mohanasundaram, Customer Care Associate, Chief Financial Officer.

We will begin the call with the opening remarks from the management. After which we will have the forum open for the interactive Q&A session. I must remind you that the discussion in today's earnings call may include certain forward-looking statements and must be viewed therefore in conjunction with the risk that the company faces.

Please restrict your questions to the quarter and half yearly performance and to strategic questions only. House keeping questions will be dealt separately with the IR team. I would now request Mr. Kavindra Mishra for the opening remarks. Thank you, and over to you, sir.

**Kavindra Mishra:** Thank you, Mamta. Thank you, Zico. Good morning, friends. Thanks for joining us today to discuss Shoppers Stop financial results for our second quarter and first half results of this fiscal. This is my first call with all of you, after taking over as the ED and CEO of Shoppers Stop. For most of us in the retail industry, it's a dream to join Shoppers, and I am no exception. It's a great company. It's a fabulous brand. I can talk about this forever, but let me start the call post our publishing Q2 results last evening.

Along with me, I have Karuna, who is our CFO. I will begin with retail market update and then cover our quarterly performance in detail, including the strategic pillars with broad outlook for Q3. The consumption slowdown in the discretionary category, post Diwali last year, continued in Q2 as well.

Though we have seen some stages of recovery, some green shoots, particularly in September, festive adjusted. Most of you are aware that we had Navratri or Pujo in Q2 last

year and this year, it's in Q3. Secondly, the demand was also impacted by the customs followed by people in large such as Adhik Maas, when customers defer large purchases.

Thirdly, the wedding season has shifted from Q2 to Q3 this year and subsequently in Q4 as well. Lastly, the demand environment remains weak. Across cities, towns and categories, unlike last quarter, or earlier quarters, where it was more driven by rural or non-metro weakening of demand.

While the challenges continue in demand, our performance has been driven by engagement with loyal members, initiatives and swift responses to the market conditions at the same time, ensuring that we continue to drive strategic pillars for long-term growth. In such a challenging environment, we delivered sales of INR1,271 crores with flat growth. The performance was driven by non-apparels, particularly beauty. If we exclude the Pujo impact, our growth would have been 3.5% over last year.

Our gross margin declined 40 bps and we achieved an EBITDA of INR41 crores against INR75 crores last year during the same period. Our gross margin and EBITDA declines are due to the following reasons; a) our performance on private brands last year were based on the pent-up demand immediately post COVID. Given the slowness in the market, we liquidated part of our merchandise at a higher discount. As we are extremely conservative in our inventory provisioning, that has also impacted 60 basis points in margin. Our EBITDA was also impacted due to negative leverage due to overall muted sales, particularly in apparels.

In addition to above, we had a minor accident in our Faridabad warehouse which destroyed goods worth INR5 crores. We have lodged insurance claims and we are reasonably confident of recovering most of the amount from this loss.

However, a conservative accounting policy, which we follow and as per accounting standards, we have provided the entire amount. This has been included as an extraordinary expense. As I said above, we are reasonably confident of receiving this money for this quarter and will be included as extraordinary income.

Now I will talk about some of our KPIs. Our ATV grew 5% versus last year, with continued efforts on premiumization across the category and brands. We are witnessing a K-shaped recovery. The increase in ATV can be attributed to higher price of premium categories in our basket. And increasing HNI consumers appetite to purchase the BTL products, which is a part of our portfolio.

Our ASPs also grew by 5%, again, due to premiumization in categories such as watches, where the ASP grew by 10% in Q2. We are also building a new categories like Lab Grown Diamonds, which will further increase the ASP and cater to newer and younger customer audience.

With the increase in ASPs and ATVs, we are delighted to share that our IPT also grew by 1%. Now let me speak about the operating costs. Our costs have increased by 9%, though on a like-to-like basis, the cost increase is a mere 4%, which is largely led by inflation. We have invested in people and technology and continue to invest such as Jarvis, our analytical tool, which helps us to analyze our customers, sales strength and various other analytical tools. Jarvis recently has also won the best team in the world of departmental stores award in the recently conducted IGDS in Dubai.

In addition to this, other costs such as rent, electricity has also increased due to opening of new stores in Q3 and Q4. These are the investments which we have to make to deliver sustained growth. Now let me speak about the store openings. During the quarter, we opened four large departmental stores, three beauty stores and four Intune stores. As in the previous quarter, there were some regulatory issues due which we have to defer opening of three departmental stores. We are opening these stores before the end of this month in October.

As I mentioned, our KPIs have improved in the last 11 quarters, and they continue to improve quarter-on-quarter. Our 3Cs framework of consistent growth, customer centricity, which is demonstrated by an all-time high NPS score of 79 and capital allocation and the 3Ps customer-centered strategy of personalization, premiumization and private label are effective and has helped us to drive these KPIs. We'll continue to focus on these and execute them.

From the operations, I will now move to the performance of our strategic pillars. Our first strategic pillar is first citizens. Our sustained success on KPI is due to our loyal members. Over the years, Shoppers Stop has been the benchmark for loyalty program. Our engagement with our loyal members has consistently yielded results and makes the customer to visit our store again and again.

During the quarter, the loyalty contribution was at circa 77%. In addition to this, the member shop has grown by 3%. Our liquid LTL members shopped in black and platinum grew by 31% and 5%, respectively. The response rate for persona campaign, which is again based on the principle of personalization, was 2.3x higher.

As an organization, we made a lot of effort for consumer engagement activities, we had circa 500 customer engagement activities across our stores. And these engagements resulted in an overall growth of 0.5%. During the quarter, our new enrollments have also increased by 9%. Our contribution from the First Citizen Black Card is at 12% and other KPIs are sustaining at a 2x of ATV and Black Card customer is spending 4x of that of a normal number.

We take great pride in customer journey for our loyal members. We firmly believe personalization is becoming more and more important in the coming times.

Personalization improves the customer experience as the interaction with the brand becomes more relevant and the messaging is also more meaningful.

I spoke about Jarvis. It's a very strong internet tool, which is based on AI and ML and is helping us to throw insights into consumer behavior. As a process, we'll be increasingly using it to address business decisions for marketing, which is selectively targeting the customer to the store selection criteria as well as through the brand selection in the categories which you're offering to our end consumer.

Now let me talk about private brands and then we'll speak about Intune. Our private brand sales declined by 5% during the quarter, but the share of the business sustained at 14%. The private brand apparel share also continued at a number of 21%. Within the private brand portfolio, the Indian wear continues to have a strong growth at trajectory with a 27% growth. The Pujo performance in East has also been very positive with a double-digit growth which we have seen.

We are aware that the growth of private brands has been muted over the past quarters. However, we'll continue to have an increasing focus on private brands, we will sharpen the consumer product offering and therefore, ensure that the journey from label to brand is strengthened. We're also spending and investing on building campaigns around our private brand, which you must have seen the Fratini Sanya campaign in the last quarter. In this quarter, we are talking about the Kashish Sanya campaign.

From private brands, I will move to Intune, a recently launched fashion for all small format store. You are aware we had opened or we had initially opened two stores at the end of June, both in Hyderabad. We have now opened six stores, three in Hyderabad, one in Bangalore, one in Dombivili and one in Pune.

I will briefly speak about Intune before I dwell into the performance and future plans. Intune is a fashion for all brands aimed at providing the latest fashion at great quality at affordable prices. Our product is specifically curated for the young Indian family with varied fashion needs across men's, women's and kids.

Our assortment starts as low as INR199 for adults and INR149 for kids with more than 2/3 of the in-store assortment under INR499 and everything under INR999. Approximately 40% of our in-store assortment not only a sharp value but bundled offers, things like buy two with an offer for the end price to offer even greater value to our customers.

We stand committed to offering the best product quality across all segments. As I said above, we have opened six stores, the margins which we are achieving are above our expectations, and we have made positive EBITDA at store level within the first 4 months of operation.

Our future plans are to add other 20 stores, 25 stores by year-end. I must say that from the time we opened Intune, we had favorable response exceeding all our expectations. As we begin this journey, I am fairly confident our team will post correct and make our Intune store a destination for our customers.

Now let me talk about another growth pillar, which is strategic pillar, which is beauty. Beauty continues to be the fastest-growing category and contributed 16% to the overall sales with INR197 crores of sales, with an increase of 6% over last year. In addition to this, our distribution business through our subsidiary, Global SS Beauty recorded INR23 crores sales during the quarter.

We take pride in our customer engagement and this differentiates us from our peers. We had highest makeover engagement with approximately 240,000 customers during the quarter. We also conducted 128 master classes for them. On the social media, we recently launched an Instagram – SS Beauty which has already achieved 52,000 followers. We had new campaigns in influencer marketing, such as Monsoon Love, Parfum Global and Show Stoppers.

For the first time, we executed a campaign on Google to drive clicks and store visits for SS Beauty stores. We have also revamped the SS Beauty digital storefront on Google to improve the organic search.

During the quarter, we launched 13 brands in beauty across personal care and fragrances. In addition to that, we also launched 200 SKUs in our private brand category, Arcelia. With this, we have now 700 SKUs in our private brand category Arcelia.

Our beauty distribution is progressing as per the plans. We launched Armani Perfume, flagship brand from L'Oreal International Distribution at the end of September and launched the prestigious makeup brand NARS couple of days back from Shiseido. As I said above, the recently launched beauty distribution business contributed to INR23 crores worth of sales and has achieved positive EBITDA. We have circa 20 retailers with 292 retail doors as at quarter end.

Omnichannel. Our preference is to create a seamless end-to-end customer journey regardless of the touch points throughout their life cycle. As we gain comprehensive understanding of the omnichannel customer journey, it becomes easier to harmonize the marketing and customer service efforts across interaction channels by keeping consumer needs in prime focus.

We have been investing for this and will continue to invest in the future as we believe omnichannel is the way going ahead. From strategic pillars, I will move to capital expenditure, working capital and cash flow. We opened four large departmental stores,

four Intune and three Beauty doors and renovated our departmental store at C-Scheme Jaipur during the quarter.

Our total investments during the quarter on capex and deposit for new stores was INR55 crores. The working capital for the quarter remained intact. Our net borrowings remained at circa INR100 crores with no further increase in borrowings. I am reasonably certain given our performance, our borrowings would be minimal if not net negative by the end of the third quarter.

During this fiscal year, we are planning to open 15 to 17 departmental stores, 20-plus stores of Intune and 15 plus stores of Beauty including the largest Beauty store at Quest Mall. On the expansion for this fiscal and next two years, we have included a slide in the investor presentation. We are planning to invest in growth and will open 15 to 17 departmental stores, 60 plus Intune stores and 25 plus Beauty stores every year for the next two years.

Outlook - Overall, our continuous emphasis on business levers and strategic pillars of first citizen loyalty customers, private brands, Beauty and Beauty distribution, store expansion, omni-channel presence are in place. Our success in the past were due to effective implementation of our strategic pillars. I once again emphasize that we will continue to drive the strategic pillars for future growth as these are our recipes for success.

As I am concluding my speech, I conclude with a broad outlook for Q3 and Q4. Sales post-Pitru Paksha are above expectations and we believe customer sentiments are looking healthy. Our Puja performance has been very, very good. Our like-to-like stores growth is in high single digits with strong growth across all categories. And our overall growth is in mid double digit.

Our ATV or basket size has increased by 8%. Our stores across the region particularly in east have recorded their all-time high sales including the performance of last evening. In addition to Pjo we have Diwali, the biggest Indian festival coming in the next one month. We are fairly confident we will sustain our performance during this season as well.

We expect the festive and shopping moments to grow from here. We have launched four stores in the last quarter and we are planning to launch another six stores in this quarter. Of the above three we will be launching by the end of this month. The success of the new store launches makes me further bullish about the way ahead. We are very excited about the Intune. We have opened six stores and planning to open another 15 plus stores before this year end. The theme on premiumization continues.

We have seen ATV increase of 5% and ASP of 5% increase and we firmly believe that this will increase and it will continue the trend during the festival and wedding season. Last but not the least, we expect a mid-digit LFL growth this quarter and next. As we have said in the



past multiple times, any recession is temporary in India. I am fairly confident both Indian economy and retail will witness a good growth from now on.

With that optimism, I will end my speech and open the forum for questions. As I am ending this speech, I have been joined by CEO of Beauty, Biju Kassim and our Business Head for the Fast Fashion Intune, namely Devang. While Biju will answer any questions on beauty, Devang will answer the questions on Intune. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankit Kedia from PhillipCapital. Please go ahead.

**Ankit Kedia:** Hi Kavi, three questions from my front. First is on the capex, you know, for 2.1 million square feet, you have eluded INR300 crores capex every year. That's around INR900 crores capex. Now if I back calculate for the departmental stores, typically 2,300 per square feet, Intune is 1,800, Beauty would be around 10,000. Still the number comes to around 550. Even if I include security deposit of around INR30 crores, INR40 crores per year, what am I missing in the total capex, you know, if I back calculate versus your assumption?

**Karunakaran M:** Okay, let me give the break up. You are right, we are planning to open 15 to 17 departmental stores. That should cost us between close to INR100 crores to INR105 crores depending upon the area. The capex per square feet will be INR2,200 to INR2,300.

We are opening 16 beauty doors. Normally beauty doors, the capex are bit high between INR10,000 to INR12,000 per square feet and EBOs will be slightly higher than that. So the Beauty capex would be anywhere between INR24 crores to INR30 crores. Intune, it is a smaller amount. We are planning to open 60 stores next year that should cost us between INR55 crores to INR60 crores and renovation is around about INR40 crores.

Because every year we plan to renovate between 7 to 8 stores so that should give us INR225 crores-plus deposits what we have to give it to the landlords will be around about INR50 crores, that is INR275 crores. And we also want to keep some cushion for our other IT, distribution. logistics and everything. So that will be around about INR20 crores to INR25 crores. That's the breakup of INR300 crores, Ankit.

**Ankit Kedia:** Sure, that's helpful. Karuna, but you know, given the cash flows we have been generating, debt is increasing since last multiple quarters. And with more risk on inventory, with intune inventory on our books and even departmental stores, we are taking some risk on inventory now. Do you think this capex, you will be able to fund internally or the debt will continue to remain at elevated levels?

**Karunakaran M:** Hey, again, a great question. Let me answer in two phases. For this fiscal year, the debt has been INR100 crores on Q1 and with the Q2 performance we have retained at INR100

crores. I am talking about the net debt. Kavi spoke briefly about that. In Q3, we should make it zero or we should be close to zero that is because the entire sales got shifted from Q2 to Q3. So I do not expect the net debt to be anywhere between INR30 crores to INR40 crores by the end of this fiscal if not negative.

So that is for this year. To answer your next question, we do expect a decent EBITDA and you are aware our EBITDA is equal to the cash flow plus on the non-business like non-private non-distribution and business we generally have a working capital negative. So, with these two things we are reasonably confident again we can fund the capex of INR300 crores.

**Ankit Kedia:**

Sure. My second question is regarding the private brands. We have seen some of the brands cut prices by high single digit to near double digit for autumn winter. We have been losing share because I believe Shopper Stop private label, we haven't cut prices.

So going forward, the price cut will come next season or this season. We have corrected the prices and we are looking to gain share in the festive season itself?

**Kavindra Mishra:**

Okay, great question Ankit. So there are two parts of it. One, if you look at the entire private brands portfolio, we have four categories with us, which is men's, western wear, women's, Indian wear and kids. So if you look at the two parts of, so if you look at the Indian wear and the kids part of the business that's really firing.

If you look at the menswear and the western wear women's, those are the areas where we need some correction both in terms of the product offering to the end consumer, sharpening of the lines and also the price correction in certain table products. So, the price correction as we speak is happening. We are looking at those corrections and through the form of certain consumer offers.

I think the bigger ask for us and the bigger things which we are working on is to get the product right. But I think at the end of the day, the product sells more than the price equation. We have cracked that piece really well in case of Indian wear and in case of kids. And we are on this journey of correcting that for both men's and western women's wear.

**Ankit Kedia:**

Sure. And the last question is on Intune. What is the fixed cost in this business? While it's excellent that at store level, within a quarter, you are doing double digit margins, but how much is the corporate overhead of the fixed cost and at what revenue or at what store number do you think this business can break even at the corporate level?

**Karunakaran M:**

So again, Ankit, a great question. See, the margins, let me go one by one. The margins would be more or less at the company level between 35 percentage to 37 percentage. That is the margin we are expecting on the way forward. On the cost, I am talking only about the store cost, it is between 23 percentage to 25 percentage. So that gives a decent

margin of close to double digit on the store EBITDA level. This as of now the SO cost for the Intune is relatively small. But as we plan to expand it we will have some cost probably not more than 2 percentage to 3 percentage.

So we do expect the EBITDA to be anywhere between 7 percentage to 9 percentage in the first three years, Ankit.

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

**Sameer Gupta:** Hi sir. Thanks for taking my question. Just a clarification on the previous participant's question about the capex. So, this annual guidance of capex for INR300 crores, I believe it is for the FY '25-'26 more so because for FY '24 last time we had given a guidance of around INR200 crores and based on the numbers that you shared it probably should be in that range. Would this understanding be correct?

**Karunakaran M:** You are absolutely right Sameer. For this fiscal, we should spend anywhere between INR200 crores to INR225 crores, not more than that. The guidance what we have given is for next year and that also includes deposits which I clarified to Ankit.

**Sameer Gupta:** Great sir, that's very helpful. Second question, just trying to understand this business metrics on Intune that you have shared. First of all, thank you very much for sharing this, but just trying to understand more. So INR14,000 sales per square feet in Intune, I mean in just four months, is there some adjustment that you are making or this is the pure play INR14,000 per square feet that the Intune stores have generated in the first four months of operations?

**Karunakaran M:** It's a pure-play. INR14,000.

**Kavindra Mishra:** It's a pure play of INR14,000. There are no adjustments here.

**Sameer Gupta:** I mean there is an initial ramp-up that is assumed right? I mean people will know that there is an Intune store open. So the steady state could then in this format be upwards of like 30,000, 35,000. Is that not very high?

**Karunakaran M:** No, no Sameer. When we say 14,000, 14,000 is the annualized sales per square feet. Like, for example, on the first month, if it is one month multiplied by 12, well, if it's two months multiplied by 6, it's like that. So, the annualized sales per square feet will be close to 14,000.

**Sameer Gupta:** I understand that, sir. Fair enough. That, that that that's great then and on the EBITDA margin also this 10% is the pure play that you have generated in the first four months and this is after the rental costs or pre-Ind AS basis is that right?

- Karunakaran M:** You are absolutely right.
- Sameer Gupta:** Okay fair enough sir the I am just a bookkeeping question the like to like growth for this quarter and also during the opening comments the CEO mentioned that they are guiding for a mid-single digit LFL for this quarter and also the Pujo, the festive period so far is at high single digits, so just wanted to understand is it just conservative or, or it's more of, we still, just trying to understand the thought process between this moderation?
- Kavindra Mishra:** So, the numbers that we shared about the Pujo, and the kind of growth we are seeing, is something which is in Pujo-adjusted data, because the dates keep on changing. But the trend which we see for the quarter, we are very confident that we will have that mid-single digit performance. It's a number which I'm very confident about.
- Sameer Gupta:** But sir, I mean, if high single-digit is Pujo to Pujo, and last year Pujo was predominantly in 2Q, technically 3Q LFL should be more like double digits right?
- Karunakaran M:** No, that's because Pujo is only for 3 weeks and after that there are other we have almost 12-13 weeks Sameer. So what we are seeing in the Pujo see generally we are very strong in East. Then there is also we have December, there is an end of season sale, so all those things are there. So, when Kavi gave a guidance it includes for the quarter not for the three weeks. Not only for the festive period.
- Sameer Gupta:** Got it sir and LTL for this quarter 2Q I don't think we have shared that?
- Karunakaran M:** LTL for this quarter as sales remain flat LTL is negative with mid-single digit negative Sameer.
- Moderator:** Thank you. Our next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** Thank you for taking my question, sir. So my question is with regards to Intune. You know, while there has been an aggressive expansion plan for Intune, if you can highlight, you know, what has given you the confidence over the last two quarters to now aggressively take the store expansion to now 18 stores in H2 and then subsequently 60-80 stores in the coming years. If you can share more highlights on the same?
- Kavindra Mishra:** Sure. We will ask Devang because he is leading this entire piece. Devang, if you can please address the concern.
- Devang Parikh:** Okay, good morning. I'm sorry I didn't catch your name because there was some glitch in the audio while your name was being said. So, there are two reasons for this confidence. First reason for the confidence is, I mean, three reasons. First number is the first four months sales have been above expectations that Kavi and Karuna have already said.

One layer below the second reason for confidence is the kind of customer profile that we are getting. We said we stand for the young Indian family and we are getting that family to shop from us. There's a lot of bill level analysis which is pointing to that target group being realized in actual transaction, which is giving us a confidence that we are on the right track product wise.

This is also validated by a lot of very active customer listening that we've done in these four months and everywhere we are getting some very strong feedbacks on the product and the proposition that we put. So that's the second reason of confidence. And the third reason of confidence is to a large extent, if you see the mix, the category mix again, our strategic positioning is standing out.

We would possibly be one of the best ones when it comes to kids, which is a good direction of being a family-oriented fashion brand, that's standing out. So I think between good performances, the family customers coming to us and our stated dominance and kids realizing in numbers, I think all the pieces are falling in place. That is not to say that we don't have anything to learn or we will not have any scope for improvement, that's an ongoing endeavor, but it gives enough confidence for us to expand more rapidly than what we initially said we will. I hope I have answered to some extent to your question.

**Gaurav Jogani:**

Yes, sure. That's helpful. Just one more follow-up on this one. I mean, given that you've already given the guidance for opening 40 stores, 60 stores in the future. So are these stores already shortlisted? Are those areas already been scouted for, or it will still be in the process?

**Devang Parikh:**

As we stand right now, a lot of work has already happened. A lot of shortlisting has happened. I wouldn't go to the extent of saying the next two years of stores are already shortlisted, that's generally not the case, it's an ongoing effort, but the ramp-up has already happened. So I think, when we say that we will open 20 stores, 25 stores this financial year, I think most of that is already in place. So and we will similarly be ahead of the game for next year also.

**Gaurav Jogani:**

Sure. Thank you. And one more question on Intune to the fact that because it's a separate vertical now altogether. So, would we also be having a different team that we'll be looking into this? How will be the team structured here? And given that the scale is right now smaller, can we expect the margins to improve on the gross level especially, once the scale also increases?

**Devang Parikh:**

Okay, that are two different questions. The first question, I will partially answer, maybe Kavi can top up from an organizational point of view. Right now, the Intune team has dedicated representation for all customer-facing functions. So buying, sourcing, merchandising, VM, marketing, the functions where the difference in identity needs to

come out is all there and all other functions, we are obviously leveraging the organizational infrastructure that Shoppers Stop has.

As we scale up, I think that's a conversation that's work in progress and Kavi would be able to shed more light on where we will head in 12 months to 18 months from now, right? That's the first part.

On the margin front, as we expand by the sheer increase in volumes, there will be some improvement on gross margins for sure. But having said that it's a very, very competitive and crowded space where price sensitivity is very dynamic. So I don't think at this point in time, anything over and above what Karuna quoted as margins, we can say for sure.

The endeavor to deliver better margins as volumes increase will always be there. What happens in the end will be a function of how the market shapes.

**Gaurav Jogani:** Sure. Thank you for that. And just one clarification on the private brands piece. So the private brand sales number will – is the INR8 crores sales of Intune also included in that, or that is excluding the Intune number?

**Kavindra Mishra:** That is excluding the Intune number, Gaurav.

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

**Varun Singh:** My first question is on Intune. Sir, I just wanted to understand that what is the reasoning behind that in 60 stores and 80 stores in '25 and '26 and maybe not, for example, 50 stores or 100 stores?

**Kavindra Mishra:** So I think it's a function of two things. Varun. One is, what are the market opportunity available? We're also going by a cluster approach. We are looking at developing the Intune strategy, based around key clusters and what are the right locations available.

We have also mapped the competition and seen what kind of the opportunities are available. That number is a guidance number. Depending upon how things are moving, if the things are ramping faster, if we hold on to that, the key KPIs, which we are all targeting, I think we can even look at a higher number. But this is a guidance number, which we are working on and very confident of delivering this.

**Varun Singh:** Okay. And secondly, I could say that 5,000 square feet is the store size, which is mentioned in PPT. So, I also wanted to understand that how you are thinking about the unit economics? Do you believe that this is an ideal size for Intune kind of a store or you think 5,000 square feet to 8,000 square feet or any other number is an ideal kind of right size for the store?

- Kavindra Mishra:** Devang, you would like to take this question?
- Devang Parikh:** Yes, Kavi. So Varun, I think that's a tricky question. I'll share my view on this. I think the ideal size of a store for a brand is a dynamic metric. I think with the categories that we've introduced we are primarily apparel focused with just a dash of non-apparel that we are doing. I think in this current space, 5,000 square feet, feel sufficient and that's why we are going with this.
- Obviously, as the brand evolves if more categories come into play or is the demand for a certain category expands. I don't think we are saying that we will never explore beyond 5,000 square feet. It's just that as of now, 5,000 square feet feels sufficient to deliver our business expectations.
- Varun Singh:** Okay. But for most of the stores are like while we are scouting the real estate, we would be conscious about 5,000 square feet as a size. And of course, I understand that depending upon availability, the store area keeps on changing. But otherwise, we are more than happy if we get 5,000 square feet compared to 8,000 square feet space.
- Devang Parikh:** Yes. No, I think I should have been clearer. Right now, our guidance is 5,000 square feet. That guidance will remain as a pre-condition to our property shortlisting. It will only change if our category play changes in the future, which will be a function of how our customers respond.
- Varun Singh:** Right. Understood. And in private label, I understand Karuna has pointed out about men's and Western women wear, which needs some correction with regards to product and pricing, etcetera. But like do we – my question is, sir, like we have invested on a significant amount of time behind making a course correction in the private label category itself.
- And instead of putting even more effort and energy, would it not be prudent for example, maybe change our approach towards the segment itself or the category itself? And whatever is underperforming, it is best to switch it with prospective much more significantly outperforming categories itself. Instead of trying to solve for the same problems, where it is becoming tougher to kind of get it right.
- Kavindra Mishra:** Okay. No, see, if you look at shopper stop, it's a house of brands. We have brands across categories. We have good, better, best, and that's how we look at the customers, and we offer them a choice.
- In our mind, private brands has got a significant role to play. As I said, while in case of Indian wear and kids, that is really firing all cylinders on the KPIs. It is the menswear and it's the Western women's wear, where we need some work to be done. You know, the market, in fact, men's wear is the biggest market for any apparel category. So, there is a

lot of potential there. And the fixes which are -- which we need to do is what we are aware of and which we can deliver as a team. So, I think that's something which is important.

The private brand business also gives us differentiation. It gives us in a margin edge, it is accretive to profitability. So I think those -- there are fundamental reasons why we have private brands in our portfolio. And I don't think we should be moving out of that zone. That is one. Also, I think somewhere the base is that last year, we grew by -- in private brands by 50%. This is pre-COVID. So there is some -- lot of work done. It's a question of correcting the lines which we are very confident of doing.

**Varun Singh:**

Understood. That's a fair point. And sir, last question, if I may. Coming back to Intune. Just given that Zudio already has a significant head start. Now they are more than 350 stores, and we are aiming 24 stores, for example, by the end of this financial year. So how -- are we ensuring that we are winning it in a right way? The segment itself what's in your rightful mind you think is our basic winning proposition? Is it restricted to product differentiation, because, of course, pricing is a commodity, everyone can match it.

So I mean just wanted to listen to your thought or commentary other than product differentiation and quality thing, I think you already mentioned about getting feedback of customers. Anything else you wish to call out compared to Zudio as a competition and the significant store presence that they have compared to ours? Or don't you think we have joined this journey a little late? That's my last question, sir. Thank you very much, sir.

**Kavindra Mishra:**

Devang, you want to address this?

**Devang Parikh:**

Yes. So, you mentioned about product differentiation. I think with Zudio our fundamental differentiation is on the customer we speak to, which we will hold on to. I think between Zudio and Intune we talk to very different profile of customers. That's one.

Two, I think Kavi mentioned about the clustered approach of expansion for Intune. So that's why at a national level, you will find the difference of Zudio being a much largely distributed brand than Intune, of course Zudio is in its eight year, we are in our first year.

Having said that the clusters where we are focusing, I think by the end of FY '23, Intune will be comparable to Zudio. You may not match the store-by-store, but we will be comparable. And I think that's what we are focusing on. We want to build dominance versus the biggest player in the market in the clusters where we prioritize.

**Varun Singh:**

No, on customer profile, I mean, what exactly is the difference between Zudio and ours?

**Devang Parikh:**

I would say the level of family we predominantly talk to the family, whereas few from the best -- we have, talks to the youngsters. So when you visit a store you will realize everything from the tone of communication to the priority of categories, the handwriting of products, everything changes when you are talking to a 76-year-old or you're talking to



a 25-year-old parent of a young child. And I think that's the fundamental difference between the two. And that's the context in which we are dealing.

**Karunakaran M:**

Gaurav, I think, Devang's voice is not clear, because he is attending from store, background noise is there. Just to give you the context Gaurav, we don't talk about the competition, okay? Second, last time also, we clarified that to you. The market for the value segment is anywhere between INR130,000 crores to INR140,000 crores. The organized market is just between 28% and 30 %. And with the overall improving economy, that is what we are seeing the expansion that's happening. So, whether whoever is the competitor whether it's Zudio, or anybody else, with the shift from the public from to the unorganized market to the organized market, we feel our expansion is completely justified.

**Moderator:**

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

**Aliasgar Shakir:**

I think you did answer a lot of questions on Intune. I just wanted to understand more from a product supply chain point of view, just to give you a context that I mean this is a particular category where you spoke about Zudio, but that's just one format, which has done well. And there have been many other challenges which have failed or not really been able to ramp-up.

And what we gather is that the product supply chain is a key factor. So, can you just share some insights in terms of what is the work we have done to gain USP in terms of our product supply chain, how quickly we can turn around good value fashion products and anything related to that?

**Devang Parikh:**

Sure, I think when you mentioned supply chain, I am interpreting that more as a sourcing question than pure play supply chain because in Fashion, sourcing is the variable, not so much supply chain. Right?

I would put this in three parts. The first part is I think there is a lot of sourcing infrastructure in the form of relationship that already exists. Because Shoppers Stop has been a player in the segment for a very, very long time, right? So I think when Intune took off, Intune was a startup, but it was not really a startup. We were able to leverage Shoppers Stop parentage and we leverage it to the full. So that's point number one.

Point number two is a few minutes back to someone else's question, I answered saying that all the customer-facing functions, including sourcing are dedicated to Intune. Which also means that collectively the Intune team brings a lot of sourcing exposure over the last 10 years, 15 years. And that sourcing exposure brings understanding of which vendors work the best, which products need to be done where, relationships with those vendors. So I think the team experience is again something that we are leveraging very, very

strongly over and above the Shoppers Stop parentage experience, right? So that's the second part to this question.

And the third part is, the visibility that we are getting, the support that we're getting from the management in the form of clarity of expansion is giving us a chance to plan ahead. We are already planning how we will source, when we are 50 stores, how we will source when we are 100 stores and building our vendor relationships accordingly.

So, I think, coming from the house of Shoppers Stop, having a bunch of 10-15 people who have worked in the fashion industry over the last decade or so. And having the foresight of a group backing you up to 100 stores and therefore moving the kind of volume ramp-up we will need, are all three factors which are making a team confident that sourcing will not be a challenge for us as we scale up.

**Aliasgar Shakir:** Understood. This is very helpful. Also, if you could just share some insights on the designing part. Are you doing entirely in-house, are you taking the help of your vendors? How are you ensuring that the design capability will help you create exclusive products and things like that?

**Devang Parikh:** Sure. So, I think one part of that question is, I think today no one in fashion design can afford to have a one track solution. So I think we will never be completely in-house, we will never be completely vendor dependent. We have multiple sources ranging from designers in-house to vendors who will do exclusive designs for us, to consultants who will work for us, and we'll continue pursuing multiple design avenues. So that the dependence is not on one factor alone. That's point number one.

Point number two is, how we will manage our design exclusivity is really not a question that can be theoretically answered. That's a dynamic – that is day in and day out. I think with every drop that we do the idea is to push the boundaries on design. Some of that is evident in the kind of response that the customer has given. And a lot of it, we will keep learning and improving.

So, I think the design exclusivity you will see on floor. It's difficult to theoretically explain how we will chase it. The tangible answer is we have multiple avenues of design creation, which we will continue to build.

**Aliasgar Shakir:** Understood. And obviously, also the frequency factor, right? Because in the value fashion, you'll have to be very – more frequent in terms of new design drops.

**Devang Parikh:** Yes. Yes. We will be very frequent.

**Aliasgar Shakir:** Got it. Second question is on your expansion. So you did answer in terms of Intune, how you are going to expand. But I'm just coming from the point that we have not done this

kind of an expansion in our past history of maybe probably 8 years, 10 years the kind of expansion we are thinking in Intune.

So I mean, how are you preparing with your teams internally to ensure that you create a bandwidth to? I mean, take care of that large expansion. And also, if you could share in terms of tier because, of course, as Karuna indicated that you are working with a 25% store opex, which of course, will include rental, and I understand that rental will be very high in top tier cities. So I mean, how are you taking care of what geographies, what tier and what is the kind of focus area in terms of geography, that we will operate in?

**Devang Parikh:**

Sure. Again, two part answer. The first part about how we are ramping up our internal capability to open these many stores, I think this within the first four months, six months, you know, six months to eight months of property shortlisting, you've had a sense of how -- what is needed to be done differently for a small size store like Intune versus a department store. And accordingly, what are the gaps we have in our internal capability, which are addressed.

So as we stand over here and say that we will go to 25 stores, 30 stores this year and add another 50 stores next year, that is on the back of actions already taken on the tier front. That's the first part of your answer.

The second part of your answer in terms of, how will we manage rentals in tiers? So, the idea is like what Kavi said, a majority of our expansion will be in our focus clusters even within those focus clusters, we are not letting go of our frugality and we are putting in the extra effort to find properties, which meet our commercial expectations. Having said that, we will experiment a little bit beyond the cluster, which is also where we will get our net rental savings, which will be beyond the shop clusters.

**Aliasgar Shakir:**

Okay. So will this be in more Tier 2, Tier 3 markets than Tier 1 markets?

**Devang Parikh:**

Yes. Yes, but that will be a small segment. So it will be like, if 75% of our expansion will be in these clusters that we've identified for ourselves. The other 25% will be in markets where we will be a little more experimental. And by virtue of the markets being experimental, we will -- they will bring down the rental averages also.

**Aliasgar Shakir:**

Got it. So when you mean 25%, you're saying 25% will be in that probably where basically the economics will have to be worked out.

**Devang Parikh:**

Yes. And these are all guidance numbers, again, as Kavi said, but the broader idea is this.

**Aliasgar Shakir:**

Got it. Just last question is on a private label....

**Moderator:**

Sorry to interrupt Mr. Aliasgar Shakir, may we request that you return back in the queue.

- Aliasgar Shakir:** Sure. I will come back in the queue.
- Moderator:** Thank you, sir. Our next question is from the line of Neelesh Saha from Bank Julius Baer. Please go ahead.
- Neelesh Saha:** Yes, so thanks for really taking the time to explain, right, in a fair amount of detail the various new initiatives and formats that you are working upon, right? And I have I think that I've actually seen Shoppers Stop brand over the years, right? And I would say that it's a very interesting point in time where you are foraying into multiple retail formats and trying to expand in many of them at the same time and in a short span of time. I have two questions following-up on this.
- First is for each of these formats, can you help me understand what is your pre-index EBITDA margin expectation and ROCE expectation? And second, do you -- how will you fund this expansion from a balance sheet point of view? And I'm referring to a slide in your presentation, where you have shown the expansion pathway until '26. So that's the context in which I'm asking this. Thank you.
- Karunakaran M:** Thanks a lot, Neelesh. That's a great question. In terms of EBITDA margins, I will not be able to give you the exact number. But all I can tell you is at the store level, they are between high single digit to double digit, excluding the SO cost. So all the store formats, at a maturity level should give us anything between high single digits to double digits across the departmental stores, Butte Beauty and I just explained about the Intune also.
- Okay. Let me go to the second question. In terms of financing again, we explained that at the beginning of the -- some on the last -- we have internal approvals. If you've seen the last year profit is around about INR325 crores. Generally, our departmental stores has a negative working capital. So with these two, we can able to fund the entire capex plus deposits.
- Neelesh Saha:** Wait. I mean when you say your departmental stores have negative capital you are referring to the shopper Stop format where you don't necessarily have to own the inventory but you are increasingly moving to formats where you have to own the inventory. So this advantage you will not enjoy, right?
- Karunakaran M:** Absolutely right. Again, what we are also saying is, like we have worked out the numbers -- for Intune, we don't expect the working capital to increase, not more than between INR15 crores to INR20 crores. And even for the beauty distribution, it's a 100% subsidiary. We expect somewhat closer to that the increase in working capital. So, considering whole those things as of now and we did the mathematics, we don't foresee any large borrowings, we should be able to fund from internal accruals and even if we have to borrow, it will be a very small amount Neelesh.

# SHOPPERS STOP

*Shoppers Stop Limited  
October 19, 2023*

**Neelesh Saha:** Yes. If I may ask you one last follow-up, right? See, one thing that is slightly concerning to me is the fact that you are also talking about expanding the traditional Shopper Stop format, right? And I would comment the team that you guys have done a fair bit of work in terms of not expanding in the past, trying to make sure that the stores turnaround, right? Do you believe that you have reached a point that your turnaround is done and now you have a format proposition that can meet your margin expectations?

**Kavindra Mishra:** Neelesh, I will take this question. So I think the answer to this also somewhere it gets carried forward from what you had asked before, Karuna was trying to answer. Let's look at three formats. One is beauty, one is Intune, one is a Shoppers Stop box, right?

**Neelesh Saha:** Yes.

**Kavindra Mishra:** While there is ROC and there are financial KPIs, I think what we have tried to do well is to build expertise around each of these projects. We have Biju kassim, who is an expert in beauty and he is driving that part of the piece. We have Devang and we have spoken a lot about Intune. So, he is a specialist in that area. And there's a team which is already existing in the Shoppers Stop system which is able to drive this business.

**Neelesh Saha:** Right.

**Kavindra Mishra:** We have a model which works well for us in Shoppers Stop. As I mentioned to you, the box has started performing well. We have seen consistent growth over the period. The KPIs are also showing a positive trend. So, we are fairly confident that the model which we have for Shoppers, works for Shoppers.

The teams which are there, which are driving Intune and Beauty are separate teams build through separate experts, and they are not they are not getting confused with any other model. Within the box itself, we have Beauty, which plays an important part. Non-apps which plays an important part, which have been seeing the growth over a period of time. So, we are fairly confident around that. We have optimized our store size. We are in the process of optimizing our square foot capex as well. So whatever levers which we need to use to drive business, we have that with us.

**Neelesh Saha:** Sorry, I feel -- I hope you'll pardon me if I probe a little further. When you say that the Shoppers Stop box format work done has turned around. Can you point me to a couple of metrics which is giving you this confidence?

**Karunakaran M:** See, previously, our capex used to be between INR2800 to INR3,000 crores. Right now, the capex has come down bit 2200 to 2300. In addition to that -- we used to have 40,000 to 50,000 square feet stores. Now we have restricted to 25,000 to 30,000 stores, whereas the sales per feet has also increased 10,000 to 12,000 to 13,000 per square feet. So, these are the two metrics in addition to that.

We have also spoken about our increase in ATV, our increase in customer entry -- and all those parameters and plus the number of black card customers that have increased and resulting in a further increase in ATV on the Black Card customers. So, there are a number of metrics, Neelesh. Probably I can talk for a few minutes, saying that these are the metrics that has increased. But the most important thing is sales per square feet and the capex, which is the two important factors which resulted in a significant increase in the productivity.

**Neelesh Saha:** Okay. Thanks a lot. Thank you and I wish you and team all the very best in this new expansion mode, thanks.

**Karunakaran M:** Thanks a lot Neelesh.

**Moderator:** Thank you. Our next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.

**Ankit Kedia:** Just a question on Beauty business from my side. This quarter, we have seen around INR23 crores of revenue from the Beauty distribution business, is slightly lower than INR200 crores guidance for the full year, given the first half what we have performed. What -- is there any delay in business back INR200 crores guidance for our Beauty distribution business?

**Biju Kassim:** Well, yes. So the context here is that we have started the beauty business towards the beginning -- or end of last year. We are ramping it up. And as you see, we are adding up more brands coming in. And when we look at the number of retailers that we deal with, that has also been going up along with the number of retail stores that we are present. So -- going forward, the ramp-up is going to be more aggressive, and we foresee that we should be around the expectations that we have given to you in the beginning of the year.

**Ankit Kedia:** We look today, we are at around 300-odd stores. What could be the times for this kind of a product where the average ASP would be upwards of INR3,000 to INR5,000? What is the retail outlet, which you would be catering to today apart from the online of Nykaa, Purple and others. But in off-line distribution, what is the number if you can just throw and how much network have we covered today?

**Biju Kassim:** So in retail, particularly on the offline part, we have largely about five retailers. So you name them, Shoppers Stop, Lifestyle, Parcos, part of Nykaa, new entrant Tira and so on and so forth. But there and again, we have what we call independent retailers. Which is also bringing in significant amount of business. So between them, I think the run context is about 295, but I think we should be able to expand to about 450 by the end of the year.

**Ankit Kedia:** And on SS Beauty now, it's been two years, three years, we have started. While Intune, we saw the ramp up within two quarters and the stores are doing well. SS Beauty, it's taken

some time for us to come to that optimum level to save this expansion now. So -- and some of our competitors are much faster in terms of the 1,000 square feet of store, given the capex is also lower. So why such a low number of store count in SS Beauty today? Or you think we are yet to get the right unit economics in this business and then we will expand faster?

**Biju Kassim:**

Good question. So on SS Beauty, we have been trying out a few models because we have a few models that are Estee Lauder dominant models. We have other models which have got national brand model. But also, we have been trying to get the right location and the right sizing. As we speak, we have commissioned a beautiful store in T2, Bangalore Airport.

With a 3,200 square feet space which is actually a good ambitious move. Which will also be followed up by 9,000 square feet large format store in Quest Mall in Calcutta. So, we are experimenting with some of the models, and we see that it is important to get the capex optimization and the productivity improvement to reach to a stage of further expanding rapidly.

But this is in the pipeline. And also, what has helped is that there are many new brands, particularly in the Prestige domain. Because we are and we have been an expert in the Prestige domain. We want to capitalize our competences in the Prestige domain with new many brands coming into that. We are seeing a good level of productivity improvement, but you will see going forward that the ramp-up is going to come up.

**Ankit Kedia:**

And last question is on NARS. What would be the opportunity for this brand in India in terms of -- because we are doing that both for distribution and in the EBOs and shop-in-shops format in Shoppers Stop as well. Is it like the regular brand? Or do you see it disproportionately getting some share in the market in the medium to long run?

**Biju Kassim:**

Beauty, particularly makeup as a category has been growing up very, very fast. And we have had the opportunity of having some traditionally very strong brands, but NARS is one of the most researched brand in the country by consumer. The Initial indications are extremely healthy and positive because it comes from this table of Shiseido as a group. But also, they have been very, very clear about building the brand equity and this is a brand that will really work very strong keeping the fundamentals in place.

Having said that, the journey is going to be omni, and we will definitely expand rapidly going forward. But as you also know, we have been managing MAC, and MAC has been one of the most successful brands in the Beauty domain. And has been and -- it continues to be an aspirational brand.

I think NARS is going to be let's say, another important brand in the makeup domain together. But yes, MAC and NARS cater to the Prestige segment of the business and that segment by itself is also growing dramatically. So -- NARS, there's a distribution

opportunity for us as global assets. we see that it will be between boutiques, it will be between shop-in-shop and it will be between free-sale. Free sale will also mean that we will be in SS Beauty, we will be in Sephora, we will be in Tira, Nykaa and so on and so forth.

**Ankit Kedia:** So if I look at your portfolio between perfume segments makeup, skin care, right? We are very strong on the perfume domain, which is there whether repeat customer buying behavior is still lower. If I look at makeup and skin care, the repeat purchase maybe of the customer is much faster. Right? So do you see a missing link in a portfolio out there? And how are we looking at brands in that space from a distribution side or in the SS Beauty side?

**Biju Kassim:** Okay. So traditionally, Perfumes has been a dominant player within the Beauty category in India. And this is reconfirmed from the fact that at Shoppers Beauty, within Shoppers close to 50% is coming in from fragrances. Now makeup within makeup, you obviously have Prestige makeup, you have masstige makeup, you have Bridge to Luxury makeup. We are consciously playing in the Prestige category and that's where I think there is a lot of opportunity that will come through. Yes, NARS has been the first pure-play makeup brand, but we will soon have Armani Beauty, we will have Valentino Beauty and Prada Beauty. Which will also be makeup driven. So we are working on it. And the fact of the matter, we are still a very young company given the context of distribution.

Now coming to skin care. We have a beautiful brand by name, Clarins. It is one of the I would say, the most sought after brand globally. And we are also launching another brand by name FRE, which is actually an Israeli skin care specialty brand which is position for the young aspirational customer. So going forward, while we have the strength of fragrances, we'll continue to build and get more beautiful brands in the makeup and skin care domain also.

**Moderator:** Thank you. Our next question is from the line of Yash Bajaj from Lucky Investment Managers. Please go ahead.

**Yash Bajaj:** Thanks for the opportunity and congratulations team on an impressive performance on Intune. All my questions on Intune have been answered. Just one question. Like we have mentioned that we – the INR14,000 in square feet kind of revenue per square feet we are expecting out of this segment. Do we see this going upwards as we reach that scale of suppose 100, 150 stores? That's my first question.

**Devang Parikh:** Yes, yes. Yes. I think this should go up, right This should go up. This is not even -- so this is just a number that we've seen in the first three stores and possibly not the most -- the biggest peak of the year, seasonally speaking. So, I think as we listen to customers and become better as we get into the part of the year which are naturally more demand generating and as we create the halo effect of a cluster where you have multiple stores in



a city and therefore, a customer has multiple touch points for building confidence in Intune. I think this number should definitely go up.

**Yash Bajaj:** Got it. And just on the previous point that how are we leveraging technology when it comes to the supply chain part of Intune, considering that it's a high inventory turns business? So, versus our traditional model, what are we doing different from a technology point of view?

**Devang Parikh:** Again, when you say supply chain, are you referring to sourcing or pure-play supply chain as in logistics and DCs?

**Yash Bajaj:** I would say procurement and the inventory, which is at your existing store. And how do you keep track of that, Yes.

**Yash Bajaj:** I was just saying that in terms of procurement the existing stores, how do you track with product are doing well and from doing well?

**Devang Parikh:** So, I think let me tackle procurement. I think on the procurement front, a lot of efficiencies will come on the back of processes and planning – more processes and planning than technologies that's the current view, even which means we have team which keep us abreast of what is the new technology and how we can leverage and pilot it, but prima facie procurement efficiencies will be through processes and prior planning and not so much technology.

As far as inventory optimization in the store is concerned, we have all the building blocks in place, Yash, a very sophisticated automated replenishment mechanism we have. All the supply chain efficiencies in place in the sense that frequent delivery to the store to ensure that the inventory is centralized and available for whichever store needs it all of those things are in place.

I think as we get more and more sales data, what Kavi and team mentioned about Jarvis and its capability of predicting what will sell more where, that will also help us drive inventory optimization at store levels. Shoppers Stop is already reaping its benefits and Intune will soon follow. Once we have some credible mass of data. So, I think, technology will play a big role amidst existing infrastructure itself on Intune inventory optimization, procurement, maybe not so much.

**Tejash Shah:** Okay. Got it. And just one last question. The opening remarks, you mentioned about lab Grown Diamond jewelry. So just wanted to know, what is the kind of response we are seeing from customers and your general thoughts on introducing this category?

- Kavindra Mishra:** So, we have introduced two brands within that. One is Fiona & other is Limelight. We did it close to six weeks to seven weeks back. The initial response has been very encouraging. The idea is that, there are newer categories which are coming into the play.
- Over a period of time, we also want to showcase Shoppers as a wedding destination or as a gifting destination. And we believe that, this is a category which we can play with and start with. Initially, many years back, when we started with JV, there was an amazing success which we had, and we want to replicate that and become the category owners for this. So it's a new thought. The initial response has been quite good. We have launched in seven stores, and we see this becoming stronger and stronger over a period of time.
- Tejash Shah:** Could we get price point on this?
- Kavindra Mishra:** So, price points are typically around INR30,000 to INR40,000.
- Moderator:** Thank you. Our next question is from the line of Rajiv B from DAM Capital. Please go ahead.
- Rajiv B:** Yes. Good afternoon, sir. Thanks for the opportunity. Sir, my question is on the inventory bit per store on the Intune side. You mentioned that the working capital is close to INR15 crores, INR20 crores for the 60 stores, right? That's like INR30,00,000 per store. How much of the inventory per store here?
- Karunakaran M:** Sorry?
- Rajiv B:** On the Intune side, usually, what is the inventory we talk...
- Karunakaran M:** Inventory at the store level, we don't expect anything beyond eight weeks to 10 weeks and it's a high-turn inventory. Rajiv, so we don't expect anything beyond eight weeks to 10 weeks at the store level.
- Rajiv B:** And the supporting inventory at the warehouse for this would be similar order?
- Karunakaran M:** It will be another four weeks to five weeks, max. I'm talking about the initial stages as we mature – it will be -- overall, we should be able to manage 12 weeks of inventory for both stores and the DC level.
- Moderator:** Thank you. We move to the next question. Our next question is from the line of Manish Poddar from Invesco Asset Management. Please go ahead.
- Manish Poddar:** Hi, I just have two questions. I'll take them together. So, the first one is, you mentioned about SSG being mid-single digit in the coming quarter. If what you've seen on the pricing growth and Pujo shifting, is this number conservative? That's the first one. And the second was in terms of Intune. So what do we do of the inventory, let's say, which is slow moving?

- Kavindra Mishra:** Okay. Let me answer the first point. What numbers we are putting here is what we are fairly confident about, as I had mentioned before, we mentioned about Pujo, which is a specific three weeks activity for one market, which is east.
- As we normalize over the festive season of November till November and then there are wedding later on and then the EOSS impact. So it can go up or down. We are very sure about this 5% or 7% of the mid-level number, which you are talking about. So I don't think, it's conservative. It's a good number, which we will deliver on.
- Karunakaran M:** On Intune, Devang, the question was, is there any slowing inventory...
- Devang Parikh:** So, any Fashion business will have that tail that will have to be liquidated. The margin estimates that Karuna gave, Manish, they were assuming liquidation impact. So that's point number one, right?
- Point number two is, the first four months of sell-through trends are telling us that we are doing better than what we had provided for. So, I think between these two things put together, there will definitely be some slow moving inventory leftover, given that it's the nature of the business, but it will all fit within the estimates that we've given to you at a broad level.
- Moderator:** Thank you. We move to our next question. Our next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** Thank you for taking up the question again. Sir, given the – in light of the performance of the H1, we have always been guiding that the margins to be moving more towards the high single digit. So what possibly could be the margin expectation for '24 And given that, we are expecting the recovery in '25, so the guidance that we used to share earlier, that remains?
- Karunakaran M:** Our guidance what we have given earlier remains like we said for '25, we should be still in the high single digits and for '26, we should be for the entire year between high single digits and low double digits that still remains Gaurav.
- Moderator:** Thank you. We move to the next question. Our next question is from the line of Aliasgar Shakir from Motilal Oswal. Please go ahead.
- Aliasgar Shakir:** Yes. Thanks for the follow-up opportunity. So my question is on your private label. So, Intune is moving away from our traditional third-party products selling to more own brand private label. So just want to understand, how will you balance growth with inventory risk and provisioning policies. And should this rub off on a private label basis any Shoppers Stop also, which has been at about 14%, 15% for a long time. Do you think that could also go up. So if you could just share your insights on this?

And also last follow-up is, on an average, typically, a store would take, give or take, about INR1 crores, INR1.5 crores, if I assume about three months average working capital inventory. So the capex you gave INR300 crores, which includes INR50 crores, INR60 crores of Intune. Should we build another INR100 crores additional for working capital in Intune? Thank you so much.

**Karunakaran M:** Ali, I will take the last one. The rest of the things would be answered by Kavi and Devang. See, we have already clarified, the inventory for Intune incremental will not be more than INR15 crores to INR20 crores. It can't be it INR100 crores is too high end numbers. So that's not that.

**Kavindra Mishra:** And Ali, to the point, these two are completely different businesses. There's a different set of customers. We don't want to mix the Shoppers Stop private label business and the Intune business. We want to give a lot of wings to the Intune team to deliver that. They have got a task at the hand. We want to keep these two things very, very separately.

**Devang Parikh:** On the Intune front, what you asked, I already answered the previous person that the expected liquidation margin hit is provided for. So, the margin estimates that Karuna give at some point in the conversation. They are assuming the liquidation and the impact of killing the leftover lines. That's point number one.

Point number two, on how we will manage as we go forward? I answered to someone else's question, that our sourcing efficiencies will be more on prior planning and leveraging the increased volumes. It will -- that answers this question also. We will have to -- as we improve scale, our buying will become more and more sharp, which will become more and more closer to trade.

So we will not place that long in advance or we will not buy too much. We are okay with the concept of celebrating the stock out and then replenishing it with something else, such going to be the broader sentiment that's what every fast fashion player has been successful has worked inventory on, and that's going to be our approach also.

**Moderator:** Thank you, sir. That was the last question of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**Kavindra Mishra:** Thank you, Zico. In the end, I would like to wish a very, very happy Pujio and happy Diwali to each one of us. Thank you for taking time out for engaging with us. And I hope that we will keep on giving you the clarity on the questions which you have and keep on driving on performances, which we are committing as a team. Thank you.

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