Date: November 14, 2024

BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

Scrip Code: **544243**

National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C-1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051

Trading Symbol: **STYLEBAAZA**

Dear Sir/Madam,

Subject: Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

This is further to our letter dated November 8, 2024, whereby the Company had submitted the link to the audio recording of the conference call with Investors/Analysts held post announcement of Financial Results for the quarter and half year ended September 30, 2024.

Pursuant to Regulation 30 read with Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed herewith the Transcript of the said conference call, for your information and records.

The transcript of the conference call is also available on the Company's website at:

https://stylebaazar.in/wp-content/uploads/2024/11/Q2-H1-FY25-BaazarStyle-Text-Transcript.pdf

We request you to kindly take the aforesaid information on record.

For Baazar Style Retail Limited

ABINASH SINGH

Digitally signed by ABINASH SINGH
Date: 2024.11.14 15:52:32 +05'30'

Abinash Singh
Chief Compliance Officer,
Company Secretary and
Head - Legal & Compliance

Baazar Style Retail Limited
(Formerly known as Baazar Style Retail Pvt. Ltd.)

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CIN No: U18109WB2013PLC194160

"Baazar Style Retail Limited
Q2 & H1FY'25 Earnings Conference Call"
November 08, 2024

MANAGEMENT: **MR. SHREYANS SURANA – MANAGING DIRECTOR – BAAZAR STYLE RETAIL LIMITED**
MR. NITIN SINGHANIA – CHIEF FINANCIAL OFFICER – BAAZAR STYLE RETAIL LIMITED

MODERATOR: **MR. SUYASH SAMANT – STELLAR ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Baazar Style Retail Limited Q2 & H1FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Suyash Samant from Stellar IR Advisors. Thank you and over to you, sir.

Suyash Samant: Good evening, everyone, and thank you for joining us today. I have with us today the senior management team of Baazar Style Retail Limited, Mr. Shreyans Surana, Managing Director, and Mr. Nitin Singhania, Chief Financial Officer, who will represent Baazar Style Retail Limited on the call. The management will be sharing operating and financial highlights for the quarter and half year ended September 30, 2024, followed by a question-and-answer session.

Please note, this call may contain some of the forward-looking statements, which are completely based upon our beliefs, opinions and expectations as of today. These statements are not a guarantee of future performance and involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statement to reflect further developments that occur after a statement is made.

I now hand over the conference to Mr. Shreyans Surana. Thank you and over to you, sir.

Shreyans Surana: Thank you. Good evening, everyone. Welcome to our Q2 and H1 FY25 earnings calls. Our presentation has been uploaded on the exchange and company's website and I hope you had a chance to go through it. I would like to begin by highlighting that we are witnessing strong demand trends with some betterment in consumer sentiment. As you may be aware, there have been significant structural shifts in the market as far as consumer segments are concerned.

Consumers are increasingly moving towards organized channels. This trend is proving to be a key tailwind for our business as consumer preference continues to evolve with a stronger focus on brand consciousness at affordable pricing. Additionally, in Q2 FY25, the festival demand also fueled the growth further as Durga Puja was advanced by 10 days this year, thereby, benefiting us from our strong presence in East India markets.

Overall, the demand scenario continues to remain strong as we speak. As things stand, we believe that the second half of the current fiscal is also likely to remain strong. To capitalize on this opportunity, we have stayed committed to our growth strategy and expanded our footprint with addition of 22 stores in H1 FY25. With this, we are likely to exceed our initial guidance of net addition of 35 stores in FY25 and we will be clocking about 45 to 50 store additions in FY25.

Naturally, as you may be aware, store expansion will be associated with incremental costs, mainly on employee front, freight and forward and advertisement and this was also the case in Q2 FY25, wherein, other expenses have increased incommensurately to the revenue growth, thereby, impacting profitability. However, please note that some of these costs should be considered as front-loaded expenses and the benefits of this are likely to be accrued in the second half of the fiscal as sales from new stores increases. Basically, we expect profitability or margins to improve in H2 FY25.

Another key highlight we would like to share is the strong traction we are seeing with our private labels. By focusing on differentiation and achieving greater control over product quality, we have been able to enhance the appeal and popularity of our private label offering. As a result, its share of total sales has increased significantly, reaching 49% in H1 FY25 compared to 38% in H1 FY24. This represents an impressive year-on-year growth of 79% with private label sales now totaling INR284 crores in H1 FY25. This growth reflects not only the strength of our product portfolio, but also the increasing consumer preference for our in-house brands.

We strive to strengthen our market position through deeper penetration in our core market and forming new clusters in focus market. This strategic approach will help us to optimize our marketing spend, streamlining the supply chain cost and enhancing the inventory management efficiency. We have also reduced our inventory days from 154 days in H1 FY24 to 137 days in H1 FY25 due to faster off-take in festival season and increased focus on operational efficiency, bringing in economies of scale and thus reducing the inventory per square feet.

Coming to the operational highlights and key financial numbers for the quarter ended on September 30, 2024. The total income at INR313 crores was up 65% year-on-year and 12% quarter-on-quarter. Gross profit at INR 94 crores, up 71% year-on-year and 4% quarter-on-quarter. EBITDA at INR24 crores and EBITDA margin at 7.8%. This was due to increase in other expenses because of store expenses.

Just to highlight the financials for H1 FY25, the total income stood at INR592 crores was up 41% year-on-year. Gross profit at INR185 crores, up 43% year-on-year. EBITDA at INR66 crores and EBITDA margin at 11.3%.

Coming to the key financial metrics in Q2 FY25, we continue to witness healthy volume growth overall and strong growth in private level sales. The private level contribution increased from 39% in Q2 FY24 to 45% in Q2 FY25. In absolute terms, it is at INR140 crores, up 90% year-on-year. The store count grew 28% year-on-year to 184 stores. The rental area of the stores grew 25% year-on-year to 1.67 million square feet. The average store size stood at 9,055 square feet. The total number of bills grew 57% year-on-year to 3.32 million. The quantities sold grew 59% year-on-year to 11.95 million. The average transaction value grew 5% at INR 997. Same store sales growth stood at 41%.

To this note and now I conclude our presentation. We will endeavor to continue with this growth momentum going forward. We thank you a lot for listening to us patiently and now we open the session for question-and-answer to all of you. Thank you very much.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Deepak Kumar Singh from Barclays. Please go ahead.

Deepak Kumar Singh: Yes, hello. Thank you for giving me the opportunity. So, my question is, like, I read, you have closed one of your store in, I think in Andhra Pradesh. What is the reason behind of closing that store? And the second question is, how you are doing with the e-commerce, how you are going through e-commerce that is like future?

Shreyans Surana: So in terms of Andhra Pradesh, the store that we have shut down, the primary reason was that it was not a profit making store, and we were getting loss in that store. So due to operational reason we have shut down the stores.

In terms of e-commerce, currently we are working more on the omni-channel retail model that we have applied in the stores, on which the focus is more, because what we are seeing is that to create the e-commerce we have to work on the entire ecosystem and we are planning on the same, but I think it will take some time to implement that to go on the entire e-commerce front.

But Yes in terms of omni-channel, we have started well and in the first six months we have sold around INR1 crores of revenues come from omni-channel retailing that is delivery through stores to the consumers.

Deepak Kumar Singh: Okay. Thank you. So, I have one more question, when I'm going through your store count, you are working as a cluster base, right? So, when I saw V2 Retail, which is your competitor, so if you correct me, they are not working on cluster base approach, right? They have one store in West Bengal and other store in Tier 1 far away, so they are not working in cluster base, correct?

Shreyans Surana: They are peers who are doing this as you are saying, but there are also some peers who are opening stores in a cluster format only like V-Mart, so they started with a cluster, now they have entered into all the geographies. As of now our focus is more on cluster than any other retailers.

Deepak Kumar Singh: Okay, okay, okay. Thank you. Thank you for giving the opportunity. Thank you.

Moderator: Thank you very much. The next question is from the line of Palash Kawale from Nuvama Wealth. Please go ahead.

Palash Kawale: Thank you sir for the opportunity and congratulations on good set of results. Sir, just wanted to know what was the SSG for Q3 last year if you could share the data?

Shreyans Surana: Last year Q3 SSG, right now it’s not -- this year we have done -- for the entire year -- for Q2 it has been around 41%, for the entire half yearly, it has been around 21%. Yes, Q3 stands at 50.4% last year.

Palash Kawale: So, sir on the base of 50%, you are still saying that the growth would be very good. So, what is leading to such a good growth for you and other players as well in the value retail segment, could you throw some color on it and how sustainable is this growth?

Shreyans Surana: So, there are two things, which is happening. One is I think the market is expanding and a lot of traction is coming from unorganized to the organized, which I have told in previous calls also. So, we have seen a lot of traction coming from unorganized to organized. People in the small cities also want to shop in a organized format where they can go to a store, which is air-conditioned, where they can get that assistance of the shopping also from the employees.

So, I think that is one of the key reasons for that. Apart from that because we are opening so many stores in a particular cluster that is also helping us to enhance the brand visibility among the consumers.

I think these are the two points that is helping us to increase our footfall in our stores, and which is again helping us to increase the revenue.

Now in terms of L2L growth that we are seeing. See the thing is that now we are seeing a lot of sales coming from the existing customers. So 72% of our revenue is coming from the existing customers in the L2L stores. Apart from that last year Q3 as I said Durga Pooja has prepone my 10 days in this quarter. So, obviously, Q3 had a higher L2L growth last year of 50.3%, but overall, we are opening stores also in UP, Bihar, everywhere else, which has got a larger chunk of activities in Q3. So, I think because we are opening so many stores as we speak, we are at 198 stores. So, I think a lot of growth is going to come from that focus areas also.

Palash Kawale: And, sir, did you see….

Shreyans Surana: Yes, please repeat. Please go ahead with your question.

Palash Kawale: Yes. Sir, please go ahead if you want to add anything.

Shreyans Surana: So, I was just saying that together both of that will help us to sustain the growth.

Palash Kawale: Okay sir. And sir with all the players being so aggressive, do you see any risk to the demand in such an environment where other players are saying that the consumption demand is not very good. So, do you see any risk?

Shreyans Surana: I will say in terms of lower -- the audience to whom we are targeting are at the bottom of the pyramid, and I don't see a risk over there. Yes, there has been a slow demand, but I think more on the FMCG company side, the demand has been sluggish or maybe on the middle tier, which is a branded wear category, not a ultra-luxury category, we are seeing a sluggish demand over there. But at the bottom of the pyramid the demand is there.

Palash Kawale: Okay sir. And sir you also said that, you will be adding more stores than earlier expected. So any change in revenue guidance for this year?

Shreyans Surana: So, in tact -- we are in tact to our guidance. As I said, we have changed our guidance for the number of stores that we have opened. So we were supposed to open around, we planned to open around 35 stores, but we have increased our guidance from 45 to 50 stores will be opened this year. And as of revenue guidance 25% will be the guidance for this entire year.

Palash Kawale: Okay sir. Yes, sir. That's it from my side. I will come back in the queue. Thank you. Thank you for your response and all the best.

Shreyans Surana: Thank you.

Moderator: Thank you. The next question is from the line of Siddharth from Caprize Investment Managers. Please go ahead.

Siddharth: Yes. So, hi, sir. Congratulations for a great set of results. So I have got a few questions. So I mean, so starting from your -- I mean, I want to see, I want to know, the reason why the margins have contracted. So I mean, we thought, I mean, we were of the expectation that, you know, we would become like positive you know in terms of bottom line you know this quarter. But you know, so could you throw some more light on, why -- we haven't done well in terms of margins?

Shreyans Surana: So in terms of gross margins in Q2, in quarter-over-quarter, in terms of gross margins, if you see from last year, we have increased by 1%. From 29 point -- we have increased to 30.2%. Yes. Overall, level there is an increase in cost because we have opened 18 stores in this quarter. Plus there was a preponement of festivals also. So there were a lot of expenditures like advertisement and packaging, freight, which were front loaded with the inventory and requirement of the festival. So I think that has led to an increase in cost.

The benefit of which we will see in the second half and as I said, see the second half will have a higher profitability. And this is the, I will say the way this regional market that we are in, it moves like this only. Even if you see the last year H2, we have earned a profit of around INR31.94 crores in the H2 part, whereas H1 had a loss of around INR13.27 crores. So basically the H2 will have a higher profitability and H1 will have a lower profitability.

Siddharth: So I mean I just want to get a hang of, what could be our sustainable margins going ahead.

Shreyans Surana: In terms of gross margins.

Siddharth: No, no in terms of EBITDA, EBITDA, EBITDA. I'm more interested in EBITDA

Shreyans Surana: In terms of EBITDA, 14% to 15% is the guidance that we are going to reach. And even if you see the trailing 12 months number for this -- from September to last September, we are already at 14.5%. So we have already did INR166 crores of EBITDA on trailing 12 months.

Siddharth: So 14% to 15% is your sustainable margin?

Shreyans Surana: Yes.

Siddharth: Okay, sir. Since we have grown at 65% this quarter, your guidance is a bit conservative. Can I assume that we will be growing our top line at a much larger pace?

Shreyans Surana: We would like to grow and we think we would be able to grow ourselves.

Siddharth: Okay, sir. I'll get back to you. Thank you.

Moderator: Thank you. The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: Yes. Just wanted to understand the growth trends for the festive season. Let's say from Dussehra to Chhath Puja last year and this year. What kind of growth trends you would have seen?

Shreyans Surana: In terms of Dussehra to Chhath Puja, because we are here for the Q2 call. I can just tell you, for the festive season, the Durga Puja, we have seen a lot of good traction because Durga Puja was in the month of September this time. And overall, as I said, the entire first half was good with 21% of L2L growth. So, all the festivals put together in the first half has given us good traction in the older stores.

Arpit Shah: But any idea on the trend? Where is it? Like you said, --

Shreyans Surana: We see a good momentum continuing from September. So we see a good momentum in terms of sales in the October also.

Arpit Shah: Would you care to quantify that momentum?

Shreyans Surana: Sorry, I cannot quantify right now. As this is a Q2 call, so I cannot quantify the numbers.

Arpit Shah: Got it. Got it. Not a problem. I just wanted to understand, last year Q3, probably our gross margins were around 37%. Because that was a stupendously high quarter at that point of time. And this year Q2 is a very high, big quarter for us. On the gross margin, it was just 30%-31%. Now, if we look at gross margin very seasonally high quarter, and the kind of PAT numbers, how is it going to grow on that? Or maybe the PAT is going to be flattish for FY25, FY26. Just wanted to understand trends on that?

Shreyans Surana: See, in terms of margin, because Q3 in across the retail is one of the best quarters. I think the best quarter among all the four quarters in terms of profitability. So the gross margin will be sustainable. It will be similar to last year, or maybe 50 basis points higher than that. In terms of PAT, as I said, if you see the training 12-month numbers also, so last year, last half-year number, we did a 32 Cr PAT in the second half. And a major contribution was coming from Q3 itself. So that is already, if you see, the 40.89 was the PBT in trading 12 months, against 11.43. And with the two more quarters left for this financial year, I think we will be easily able to meet all our guidance that we have said.

Arpit Shah: Got it. And you actually mentioned this year's guidance earlier in the call. I just missed that number. What was that number?

Shreyans Surana: So in terms of PAT?

Arpit Shah: In terms of PAT and revenue both.

Shreyans Surana: So the PAT would be 2.5% to 3%. And in terms of revenue, it will be around 25%.

Arpit Shah: And 2.5% to 3% is post IND AS or pre IND AS?

Shreyans Surana: It is post IND AS.

Arpit Shah: Post IND AS 3%. What would be pre IND AS?

Shreyans Surana: Pre IND AS would be 3.5% to 4%.

Arpit Shah: Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Arman from Blue Sky Capital. Please go ahead.

Arman: Yes. Hi. Thanks for the opportunity. First question I would like to understand that, what is an average time that a particular store takes to mature? And what is the average revenue for a mature store and the margin we can clock in for a mature store?

Shreyans Surana: So in terms of the store's life cycle, that we maintain is that whenever the store opens, in the first year at pre IND AS level, it gives us a profitability of around 5% in terms of EBITDA. In the second year, the first full year that which is run, it gives us EBITDA of around 10%. And in the third year, it gives us EBITDA of around 15%. 14% to 15%, 9% to 10%, you can say that way.

Arman: Okay. Okay. Got it. Got it. And since you have already revised the number of opening of the stores to 50, so what's the outlook for the FY26 and FY27?

Shreyans Surana: It will be similar. On a similar line, we will be opening around 50 to 60 stores every year.

Arman: Okay. Okay. Thanks. Thanks a lot. That's it from us.

Moderator: Thank you, sir. We take the next question from the line of Jagvir Singh from Shade Capital. Please go ahead.

Jagvir Singh: Yes. Thanks for the opportunity. So, when we have this kind of expense in our business, in the long run, can we have the gross margins of 35% to 40%?

Shreyans Surana: Can you just come again to your question? Actually, I wasn't able to hear it properly.

Jagvir Singh: In the future, say, in the next two, three years, our business has this kind of expense that we can achieve the gross margin of 35% to 40%.

Shreyans Surana: 35% to 36%, you are saying, in gross margins?

Jagvir Singh: Yes, sir. Yes.

Shreyans Surana: Yes, see, we can achieve it. It's not that we cannot achieve it. Right now, because we want to aggressively expand our private label, that's why we are -- not working on a very high gross margin structure, but Yes, it's easily achievable, 34% to 35%.

Jagvir Singh: What is the revenue mix in the second half and the first half? Percentage-wise?

Shreyans Surana: Generally, our mix is between 43% to 48%. So, H1 tends to be between 43% to 48%, and H2 is similar. It totally depends on, because we are in East India, and the Durga Puja plays a very important role. So, if it falls in September, our first half share increases, but typically, it moves around 43% to 48%.

Jagvir Singh: So, because this year, Durga Puja is coming early, so we may have 50-50?

Shreyans Surana: No, the 50-50 is not the case. It will be between 43% to 48%.

Jagvir Singh: Okay, sir. Thank you very much.

Moderator: Thank you, sir. The next question is from the line of Devesh Advani from Reliance General Insurance. Please go ahead, sir.

Devesh Advani: Yes, sir. Thanks for the opportunity. Sir, I wanted to understand that, since you are already working for other stores, and already tracking the revenue of 41% in FY25, so why are you giving a low guidance of 25% for revenue guidance for FY25?

Shreyans Surana: Actually, we are not giving a low guidance on that, because at the start – at the initial start we thought of 25%, and the 41% has been created in the last 6 months, but 10 days is the preponement of Durga Puja also. So, considering that, we would like to deliver the stakeholders more on the revenue part, and just by being optimistic, we don't want to give any extra number. That's why we are sticking on our guidance of 25% only. Because we want to see this quarter 3 also.

Devesh Advani: So, we can see an upside more than 25% in H2?

Shreyans Surana: 20%-25% will be the guidance for H2, in terms of revenue.

Devesh Advani: As far as profits are concerned, the company is into losses. So, when do you see the company being flourished into profits?

Shreyans Surana: In Q3, you will see. As I already said that, in H2 in the second half, we have a huge profitability. Last year also, we did a PAT of INR32 crores in H2. So, in Q3, you will see the profitability.

Devesh Advani: Okay, sir. Thank you.

Moderator: Thank you, sir. The next question is from the line of Shubh Shah from RatnaTraya Capital. Please go ahead.

Shubh Shah: Hello. Hello.

Moderator: Yes, sir. Please go ahead. You are audible.

Shubh Shah: Sir, I wanted to know more about the cost structure. So, starting from the employee cost, what is the quarterly run rate that we can assume going forward, like, INR23 crores, INR30 crores, employee cost per quarter?

Shreyans Surana: On an average, it is INR190 per square feet cost that we take. And it seems of absolute value, it will be hard to quantify, but yes, in terms of percentage, you can say that approximately 24%, 25% is the cost.

Shubh Shah: Understood. And the rest of the cost -- of the rest of the cost, what proportion would move with the sales and what proportion of the rest of the cost would be like fixed cost?

Shreyans Surana: So, generally, rental and the employee cost, Employee I will not say, rental is a fixed cost. Employee also, we tend to change the number of employees. If we see a low sale or if we see a high sale, we tend to increase the number of employees in that particular store. Rental is something which is a fixed cost. Apart from that, all the other costs are variable only.

Shubh Shah: Understood. And lastly, any guidance for same-store sales growth for the second half?

Shreyans Surana: For the entire year, it will be 9% to 10%.

Shubh Shah: Okay, understood. That's all. Thank you.

Moderator: Thank you sir. The next question is from the line of Palash Kawale from Nuvama Wealth. Please go ahead.

Palash Kawale: Yes, sir. Thank you for the opportunity again. Sir, so if I look at the Q2 numbers, you have grown by 65% and even then, the losses have contracted. So, even for other players also, the losses have contracted despite such a high growth. So, do you see in upcoming years that Q2 becoming profitable for you?

Shreyans Surana: Yes, so for us, we may see next year it may become profitable for us. Lot of things depend on the festival shift. So, basically, what happens is that because we are East India-concentrated, the Durga Puja seems to have fluctuation between September and October.

And if we have got larger number of days in the month of September, we will be having a better profitability. Because July, I guess, is one of the dull months across the retail in which you have end of season sale and everything. So, as I said, September plays a crucial part in terms of profitability.

Palash Kawale: Okay. Yes, sir. Thank you for that. And sir, what is the average rent per square feet for you?

Shreyans Surana: Can you just come again?

Palash Kawale: What is the rent per square feet -- rentals?

Shreyans Surana: INR42 to INR45 per square feet per month.

Palash Kawale: Sorry, sorry, could you--

Shreyans Surana: INR42 to INR45 per square feet per month.

Palash Kawale: Okay, okay. Thank you for that. And sir, you will be adding stores aggressively even in next two years. So, what is that aspirational PSF that you are looking for to achieve in, let's say, by end of FY 2026 or FY 2027?

Shreyans Surana: See, it is a -- PSF, now -- we have a very simple structuring that we want to have a bottom-line along with a top line. So, the thing that we have done is that now we are following the cluster-based approach in which we are enhancing our brand visibility in existing clusters and improving our supply chain also that way.

In terms of PSF, you can say that 5% is the increment that we are looking every year in terms of number if you want. And we will be able to do it because -- I think, because of this cluster-based thing.

Palash Kawale: Okay, sir. Thank you for that. And sir, one last question. How was the Diwali footfalls? Because one of your peers have said that the footfalls were good but not as good as expected. So, was it? You had a very healthy growth in terms of Diwali footfalls.

Shreyans Surana: See, overall, as I said, the momentum that started in September, it was there in October also. So, for us, the momentum was good in October.

Palash Kawale: Okay, sir. That's it from my side. Thank you very much for your answers.

Shreyans Surana: Thank you.

Moderator: Thank you, sir. The next question is from the line of Varun Singh from AAA PMS. Please go ahead sir.

Varun Singh: Am I audible?

Moderator: Yes, sir. Please go ahead.

Varun Singh: Okay. Thank you. Thank you. Thank you for the opportunity. So, my first question is, what percentage of our revenue is from full-price sales?

Shreyans Surana: So, 88% is full-price sales for the first half.

Varun Singh: All right. And secondly, please correct me if I heard this wrong, guided for 25% revenue growth in FY 2025. Is that number correct?

Shreyans Surana: Yes, Yes.

Varun Singh: Okay. So, in that context, I just wanted to understand that given 50 to 60 store addition aspiration that we have. So, that is roughly 33%, 35% kind of a retail area expansion. So, I mean, with 35% retail area expansion, 25% revenue growth, are we expecting second half to be, I mean, moderate or negative in terms of same-store sales growth?

Shreyans Surana: As I said, for the entire year, the guidance will be around 9% to 10% for the L2L growth. And in terms of growth, all the stores that are opening this year will give a full sale through for the entire year in the next year. So, I think we are trying to open higher stores in the first half itself. As I said, we are already at 198 stores as we speak. This will have a higher revenue in the second half.

Varun Singh: Okay. Okay. So, all right. Okay. Sir, secondly, on gross margin expansion that we have seen and as you have also commented that we prioritize bottom-line over the top line. I just wanted to understand that why not become even more competitive by reducing prices for the customers instead of prioritizing margin expansion.

Shreyans Surana: So, see, in terms of margin expenses, we are not increasing it at a very high percentage. Our guidance for this is only between 33% to 34%. So, the guidance that we have taken is only an increase of 1% maybe from last year itself. Nothing more than that. That is 0.5%. Last year, it was 33.5% and we are taking 34%. And then also, we are taking on the account of private label because we have increased our private label share to 50%.

And the price that we are offering is almost at the very low side only and people are liking. You have to focus more on quality and designing into the product, if you have that, I think 0.5% to 1%, you can earn if you are focusing on that.

Varun Singh: All right. And sir last question is on marketing spend. Given that we have increased it to 1.6% of revenue, we wanted to understand that where are we spending this money

Shreyans Surana: Mostly, we are trying to do it more on a regional way. And our marketing spend is with the collaboration with the local influencers, regional celebrities. For example, UP, Bihar also, we have signed up with a regional celebrity. In Bengal, we also have a regional space. And we are creating a lot of commercial videos with them. More on a regional front, at local BTL activities, hoardings, newspaper ads at regional level, pamphlet distribution, photo branding. There are a lot of things that we do. But we try to do it more on a regional side, at a store level.

Varun Singh: So, most of it would basically be spent on the regional celebrity. Is that correct understanding?

Shreyans Surana: Yes, we are spending on regional. For example, right now also, if you see one of the videos that we have created, our commercial song video of Khesari Lal, has got 26 -- more than 26 lacs views in UP, Bihar. And it has been a superb hit and it's a top trending song on YouTube. Around 15 or top 15 trending songs on YouTube. So, that way we create that type of buzz along with the local celebrities.

Varun Singh: Okay, okay. All right. Sir, that's it from my side. Wish you all the best.

Shreyans Surana: Thank you.

Moderator: Thank you sir. Next question is from the line of Sidharth, Caprize Investment. Please go ahead.

Sidharth: Hi, sir. So, just wanted to confirm, in the first half, we have -- we had a PAT of -- we made a PAT of close to INR23 crores, right -- negative INR23 crores, right?

Shreyans Surana: PAT of--?

Sidharth: Minus INR23 crores.

Shreyans Surana: For the first half? It's INR9.28 crores after exceptional loss. Before exceptional loss, it's INR1.66 crores.

Sidharth: Okay. So, now -- I mean, as per your guidance, you're saying that 2.5% is the guided PAT margin, that translate to close INR30 crores, if I'm not wrong.

Shreyans Surana: INR30 crores, I don't know, how do you calculate, but on the top line -- whatever top line that we are creating, it will be on 2.5% on that.

Sidharth: Okay. Okay. Got it.

Shreyans Surana: 2.5% to 3%. INR30 crores that you are seeing is for the trailing 12 months, and still the two quarters are left for this year. If you take that trailing 12 months, we are at INR40 crores PBT, which translates to INR 30 crores of PAT.

Sidharth: Got it. Thank you, sir. Yes. That's it from my side.

Moderator: Thank you, sir. The next question is from the line of Devesh Advani from Reliance General Insurance. Please go ahead.

Devesh Advani: Yes. Actually, sir, as far as your sales mix is concerned, I'm seeing that there is a slight shift from general merchandise to apparels, wherein apparels are -- have increased from 82% in last quarter to 86.7% in this quarter. What is the reason for the shift and what are the margins if you can bifurcate in terms of apparels and general merchandise?

Shreyans Surana: So, basically, this shift is because of the shift of the festive. So, whenever there is a festive coming into a particular month, the sale of garment increases. As a result, there is a shift in the mix. Otherwise, for the entire year, the mix is almost on the similar side.

Devesh Advani: Okay. And what is the margin with respect to apparels and general merchandise?

Nitin Singhania: So, general merchandise range between 30% to 32% and apparels range between 33% to 35%.

Devesh Advani: Okay. All right.

Moderator: The next question is from the line of Shreyansh J from Swan Investments. Please go ahead. Go ahead.

Shreyansh J: Hello. Sir, you mentioned that full price sales for H1 was 88%. Can you help me with the same number for last year, H1 FY 2024?

Shreyans Surana: For the entire FY 2024, it will be 86%.

Shreyansh J: H1? H1 of last year?

Shreyans Surana: H1 number is not handy right now with me.

Shreyansh J: And full year you are saying was how much?

Shreyans Surana: 86% for entire FY 2024.

Shreyansh J: 86%. Okay. So my next question is you just mentioned GMs on general merchandise is at 30%-32%. So which are the products that you sell in this general merchandise?

Shreyans Surana: So when I said GM, it consists of lot of things. For example, plastic wear, bed and linen, imitation jewellery, cosmetic section, luggage bag, yes, these are the things that we generally sell in the stores.

Shreyansh J: Okay. Okay. And so, when you open a store, what is per square foot cost that you have to incur? If you could help us understand the unit economics for a store capex?

Shreyans Surana: On an average, a store costs between INR1 crores to INR1.25 crores, depending on the Tier that we are opening.

Shreyansh J: Okay. Okay. And all our stores are on rent. Is that a fair understanding or you own the stores?

Nitin Singhania: Yes. Yes. We have six owned stores. Out of these are – rest are leased.

Shreyansh J: Okay. So, INR1 crores to INR1.5 crores is only inventory you are saying or it includes your furniture, fixtures?

Shreyans Surana: Only the capex part.

Shreyansh J: Only capex. So, inventory would be another how much, sir?

Shreyans Surana: Another INR1 crores.

Shreyansh J: So, basically INR2.5 crores for a store?

Shreyans Surana: INR2 crores. INR2.25. 0.25 I am telling is of the stores which are opening in the Tier 1 cities, where we try to enhance the look. And in terms of per square ft is around between INR1,200 to INR1,400 per square feet cost.

Shreyansh J: Okay. And, sir, typically when you open a store what are the sales per square foot that you envisage? Can you just help me understand the journey from year one to say, when you reach maturity – when a store reaches maturity. So what is the SPSF like, sir from year one, year two, year three? How does it move?

Shreyans Surana: Basically, how we see, we focus more on EBITDA front, when we open a store. So, the journey goes like this. If you are opening a store in a city, it will have a higher SPSF but lower EBITDA. But if you are opening a city in Tier 2, Tier 1, it will have a higher EBITDA but lower SPSF. In general, a store tends to have this life cycle that when you are opening a store, than newer store will have a EBITDA of around 5% in the opening year.

So on an average for example, all the stores that have been opened in 2023, 2024 for the entire financial year, that was around 5% EBITDA positive. So best part about this segment is that from year one itself, the entire cluster is positive. When it gets into the second year, which is a full one year running, it goes from 5% to around 9% to 10% as a EBITDA. And then once it reaches the maturity stage, which is 2 to 3, it tends to have a EBITDA of around 14% to 15%. All at pre IND AS levels.

Shreyansh J: All these numbers are pre-IND AS?

Shreyans Surana: Yes.

Shreyansh J: And, sir, when you guided for 14% to 15% of EBITDA margin, this was post-IND AS or this also was pre-IND AS for the company?

Shreyans Surana: Sir it was post-IND AS. I am talking all the numbers post-IND AS because we are talking on the store EBITDA side. That's why I just gave you the pre-IND AS numbers because store EBITDA rental is very important. So I just want to share that.

Shreyansh J: Okay, okay. And, sir, just one last question. So when you said rent for you is about INR40 to INR45 per square foot, is that on the lower side because I think most retailers say its INR50 to INR60 per square foot is their rental cost.

Shreyans Surana: Yes, it is lower. I will not say it is on the lower side but it is because of the way our stores have that mix in Tier 2, Tier 3, Tier 4 cities. Because if you see almost more than 60%, 65% of the stores is in Tier 3, Tier 4. And then Tier 2, Tier 1 is also there. So, because we have a lesser presence in the cities in Tier 1, as a result we tend to have a lower cost on the rental per square feet.

Shreyansh J: Okay, okay. All right, sir. Thank you and all the best.

Shreyans Surana: Thank you.

Moderator: Thank you. We take the next question from the line of Arpit Shah from Stallion Assets. Please go ahead.

Arpit Shah: Yes, hi. Thank you for the opportunity again. Just wanted to understand more on the inventory a bit. Like you just mentioned, our inventory is about INR1 crores a store. And we have about 198 stores. And the inventory is about INR450 crores in September balance sheets. So, I did not understand the math behind that.

Shreyans Surana: So, basically, October is our festive month and we have to build up inventory. If you see in terms of efficiency, you will see that last year the inventory per square is around 2884 square feet on the 30th September, which is reduced by INR200 square feet and is around 2688 square feet, in terms of inventory days, but from 154 it has gone to 137 days. And because of the festival, we have to build up inventory just before the festival. That is why you are seeing a difference in terms of inventory numbers. Because…

Arpit Shah: Even if I look at the March 24 ending, that inventory number is at INR433 crores. And the number of stores is also on the lower end compared to what we have now. So, if you mentioned INR1 crores per store inventory, the number is probably more than double of that. So what is the missing number?

Shreyans Surana: So, INR1 crore is the paid inventory. So you were talking about how much is the investment. So, INR1 crore is the paid portion of the inventory.

Arpit Shah: So everything is paid only right? in inventory?

Shreyans Surana: No no so, basically how it goes is that we get a credit from the vendors and when we say a calculation that the person was asking. So, I just told him INR1 crore is the capex investment. He was asking about the investment and how much investment is going to be made on the inventory side. So INR1 crore on the paid inventory side. So, typically a store will have a inventory of INR1.5 crores to INR2 crores as an entire store.

Arpit Shah: Got it. So, let's say if the inventory is INR2 crores on the store, INR1 crores is on credit and INR1 crores you would have paid for it.

Shreyans Surana: Yes, you can say that. That is the way.

Arpit Shah: Okay. Thank you. Thank you, sir.

Moderator: Thank you, sir. The next question is from the line of Simanto Saini, an individual investor. Please go ahead.

Simanto Saini: Yes, hi. Thanks for providing the opportunity. I just wanted to know that in Q1 we had a fire in one of our warehouse. So when we can expect the claim amount?

Shreyans Surana: So the paperwork has been done and I think we can expect the entire insurance claim to get settled within this financial year.

Simanto Saini: Okay. So maybe by Q4, we can expect that?

Shreyans Surana: Yes, we can expect the interim claim in Q3 itself and Q4 everything should get scheduled.

Simanto Saini: Okay, and in terms of the marketing and advertisement cost, what is that percentage?

Shreyans Surana: So, it ranges between 1.5% to 2% for – because in quarter three we have to build a lot of marketing for the Durga Puja so for this Q2, it is around 1.96%, 2.2%, sorry, but for the entire year it will be between 1.5% to 2%

Moderator: Hello. Hello, sir. Can you hear me?

Shreyans Surana: Yes.

Moderator: Mr. Saini, are you done with your question? Hello? As there is no response from the line of the current questioner, we move on to the next question. The next question is from the line of Bibhor Halan, an individual investor. Please go ahead.

Bibhor Halan: Hi, thanks for the opportunity. Just want to ask, I think we are planning to expand around 50 stores and what I heard is that the capex per store is about INR2 crores, right? So total of INR100 crores investment. So how do you want to fund this capex? What is the plan to fund this capex? How much to get and how much profitability in internal accruals?

Nitin Singhania: See, the capex investment is INR1 crores and INR1 crores is towards the inventory. So INR1 crores is taken under the cash flow from operation, against the inventory. So if it takes for the capex only, the capex will be INR1 crores and if we open INR45 crores to INR50 crores, it will be around INR45 crores to INR50 crores and PAT plus depreciation is enough to cover the capex investment.

Bibhor Halan: Got it. Got it. So entire funding of the store expansion will be done by internal accruals, right?

Nitin Singhania: Yes, yes, yes, sir.

Bibhor Halan: And do you and what is your plan for repayment of the borrowings in the near future?

Nitin Singhania: Basically, if you see, we at present, we have INR39 crores borrowing and cash and bank balance INR17 crores. So going forward, we will repay debt completely. We will be debt free.

Bibhor Halan: By when sir?

Nitin Singhania: Mean, it is ongoing, so we cannot say much. We will be utilizing minimum of the loan.

Bibhor Halan: Okay. Okay.

Shreyans Surana: You have already seen the balance sheet also. So the INR17 crores is the cash and bank balance available and INR39 crores is the utilized amount and the insurance claim is still awaited. So technically, if you see, the insurance claim would have been received, then we would have been debt free as of today, September itself.

Bibhor Halan: Got it. Another question is that, I saw results for one of your competitors, V2 Retail, they have posted an EBITDA margin of 10 percentage plus, whereas we are around, I think, about 8 percentage in Q2. So what is the reason about lower EBITDA margin versus the competition in the same quarter this year?

Shreyans Surana: Our EBITDA margin stays at 8% and I think, I have not seen their V2 numbers, but if you compare for the entire last trading, the number is around 11.3% for us, 14.6% for us as a TTM level and as I said, for us, I think we have done a very good numbers, set of numbers compared to last year and we would continue to do well. I haven't seen the V2 numbers.

Bibhor Halan: Okay. And the last question from my side is that you have guided for 14 percentage to 15 percentage EBITDA margin for next year. What is the guidance for PAT margin for next year?

Shreyans Surana: 2.5% to 3% on post- IND AS and 3.5% to 4% on pre- IND AS.

Bibhor Halan: So, no increase from this year, right, next year that you are guiding?

Shreyans Surana: So, the long-term guidance will be 4% to 5% on post- IND AS in next two years. So, for this, you can say 2.5% to 3% and in next two years, we will try to reach between 4% to 5% on post-IND AS.

Bibhor Halan: Okay. And the growth that you said that you would do next year would also be 25% for FY'26, right?

Shreyans Surana: Yes.

Bibhor Halan: Got it. Thank you.

Shreyans Surana: We will continue to grow at a CAGR of 25% in future also.

Bibhor Halan: Thank you. That's it from my side as of now. I'll join the queue.

Moderator: Thank you. The next question is from the line of Harsh Shah from Bandhan AMC. Please go ahead.

Harsh Shah: Yes, hi, Shreyans and team. Thanks for taking my question. Sorry I joined a bit late. Sorry if you've answered this question before but what does it mean, if you compare the festive-to festive, like the 45-days period starting before Pujo till the end of Diwali. What has been the SSG growth for that period if you could talk about it?

Shreyans Surana: So in terms of September month has been good for us because some part of festival falls in October also. So I will not be able to quantify in terms of number in terms of the growth that we have done. But Yes, the momentum was very good in September. And we have seen a good growth in the festive season that way.

Harsh Shah: Okay. And do you see this momentum continuing for us as well, let's say going into November post-festive or there is some bit of normal slowdown which we see after the festive which we are witnessing now?

Shreyans Surana: In terms of festive, the momentum was there in both in the month of September and October and right now we are focusing more on the wedding and winter. For now the chath and everything is over. So there is a lot of wedding this time. The way we're seeing calendar so we can see a good traction in terms of sales from wedding and from winter going forward.

Harsh Shah: And just in terms of inventory days, if you compare March '24 to March '25, where do you see inventory days settling for March '25 versus March '24? I know it's seasonal so we can't compare March in September, but if you were to compare March to March, how much improvement do you foresee in your inventory days?

Shreyans Surana: Proper -- if you see the September numbers now, you will see that we have reduced from last September this has reduced to INR200 square feet. So we had INR2,884 square feet of inventory on 30th September '24 and right now we are standing at INR2,688 and the way we see, we will see this particular momentum is going to continue for the next few quarters and we will be able to reduce it further. So from March INR 2954 we have reached INR2688 for H1 FI'25. So we have already reduced from March to September we have reduced INR300 square feet and going between INR250 to INR300 square feet and in next 6 months also we will be keep reducing the inventory.

Harsh Shah: This is despite the seasonality where you have much more inventory towards the end of March right. Despite that you are saying that the inventory will reduce even compared to September levels in March '25.

Shreyans Surana: Yes, yes, it will get reduced.

Harsh Shah: Excellent, excellent. And what, what sorry -- could you offer your comments on store opening guidance for this year and next year?

Shreyans Surana: So, the earlier guidance was to open around 35 to 40 stores for this financial year, but we will be opening 45 to 50 stores for FY'25. And next, going next two financial years, we will be targeting 50 to 60 stores every year.

Harsh Shah: And this will -- so I believe that most of our stores were spread across, I mean in Tier 2 and below cities, right. So now going ahead, will we be targeting the same Tier 2 and below cohort or let's say even Metro in Tier 1 is something which we would focus on.

Shreyans Surana: So we have started in Metro, so we have opened couple of stores in Kolkata city itself and we are seeing a lot of traction coming in, a very good high PSF sales is generating by Kolkata itself. So you will see a mix of both. So we will be keep focusing on Tier 2, Tier 3, where we have built a fort. And with that, we will be focusing on cities also.

Harsh Shah: And are the payback periods similar for the store which you open in Metros versus absolute Tier 2 city?

Shreyans Surana: Yes, in terms of absolute value, I think it tends to land at the similar level. But if you see in terms of percentage of EBITDA, so the Tier 2 and Tier 3 will be having a higher EBITDA, but the PSF that they generate, they tend to -- in terms of external they tend to generate a higher value. The payback period is similar for both of them.

Harsh Shah: Got it Got it. Thank you. And wish you all the best.

Moderator: Thank you. The next question is from the line of Varun Singh from AAA PMS. Please go ahead sir.

Varun Singh: Yes, thanks for your opportunity. Sir, I was just looking at your cash flow statements in FY'24 in investing activity, INR85 crores is what is CAPEX amount and we have added around 27 odds stores to single year FY'24. So the capex per store number comes at around INR3 crores. Whereas, like as you guided that we would be needing maybe INR50 odd crores for the capex and another INR50 odd crores for the inventory stuff. So, I mean where am I getting this question wrong? Can you please help me understand?

Nitin Singhania: Yes, last year basically we had purchased three new stores in Q3. So basically the capex investment was high in that quarter. So, and secondly, we have entered into an agreement for new warehouse. So, for that also some capex investment was also made. So, for that the cost has shoot up, capex cost has shoot up last year.

Varun Singh: Okay, understood. And secondly sir, like if we, if I compare our inventory days compared to peers same geography in to same category it appears to be almost 60% higher. So, what is -- I mean what explains that.

Shreyans Surana: I don't... In terms of peers, let me say, so we generally... The peers numbers are almost on a similar side for us because September and March tends to be higher because of the regional, I will say, allocation of stores. So we tend to have a particular festival in the month of April in Bengal and again in the October and because Bengal and this Orissa plus Assam plays a very pivotal role for us because they are our core state.

So as a result, we tend to have a higher inventory on those two months September, March. And that is the reason the inventory is there. Otherwise if you see the inventory, if you see in terms of churning, it is good only. It's just that because we are opening so many stores, so you tend to see it at 137 days.

But if you annualise the entire revenue that is going to be generated by that store because we have taken the stock also so stock has been taken for the entire year, but the revenue has not been taken for the entire year. So if the annualized sale is there, so this will reduce drastically.

Varun Singh: Okay. No, No, I was just comparing FY'24 and computing these inventory days on the COGS. So far in our case and given that we have added 25- 30 stores only in FY'24. Maybe the number is comparable with other players also. So our case that number stands at roughly around 245 days whereas for others it is around 155 to 160 days. And I mean this number I was just tying up with you know 88%-90% of full price sale that we have done, so I was unable to understand that what explains this difference here.

Shreyans Surana: So you were talking on revenue, correct? The inventory is on revenue basis?

Varun Singh: No, no, on COGS.

Shreyans Surana: **So** see for us as I said now on 31st March we tend to have high inventory just because of the season. So this year as of FY 24 we have got an early Eid in the month of April. And because as I said the particular festival is there in Assam which is Bihu where-in Bengal which is Chaitro which comes between 1st to 15th of April.

As a result, April becomes a very heavy month for us in terms of revenue. And we have to keep a higher inventory on 31st March. That is the reason you see a higher traction of inventory compared to the peers that we keep on. Because the peers have got the allocation across the states. So they are having presence across India. So as a result, their inventory tends to be on a lighter note on 31st March. But in our scenario, because geographically, we are inclined towards East India more, as a result, we have to have a higher inventory, particularly for 31st March and 30th September, because of Durga Puja and Chaitro, Bihu for Bengal and Assam in the month of April, along with Eid.

Varun Singh: Understood. Understood. And that is very much clear and sir just last question on EBITDA per square feet. So, for the -- for our matured store as you highlighted that EBITDA margin moves from 5% to 15 % in the third year. So, in the third year itself what is the EBITDA per square feet generated by the store? And also revenue per square foot, if you can give both these numbers?

Shreyans Surana: Typically see as I said I will just -- want to clarify one thing in terms of revenue per square foot -- revenue per square foot is not a correct benchmark to see when you see a store because what we have learned over the years that when you are going to open store in Tier 2, Tier 3, Tier 4 you will tend to have a lower PSF but your EBITDA percentage will be on a higher side because there the costs are lower.

So on an average if I say in terms of percentage, so 15% is the EBITDA that we are generating in the mature stores, and 4.5% to 5% is the corporate overhead. So on the maturity stage, it gives us a EBITDA of around 10%.

Varun Singh: Okay, sir. Okay. That's it from my side, sir. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, in interest of time, we take that as the last question. I would now like to hand the conference over to the management for closing comments.

Shreyans Surana: Thank you. Thank you all for making it to our quarterly earning calls for Q2 and H1-FY'25. If there are any further queries, please feel free to reach out to Stellar IR advisors. Thank you one and all. Have a nice day.

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