GO COLORS!

GO FASHION (INDIA) LIMITED CIN: L17291TN2010PLC077303

October 30, 2024

BSE Limited Scrip Code: **543401**	**National Stock Exchange of India Ltd.** Trading Symbol: **GOCOLORS**

Dear Sir / Madam,

Subject: Transcript of Earnings call – Q2 FY 25

We hereby enclose the transcript of earnings call for the financial results for the quarter ended 30th September, 2024.

This is for your information and records.

Thanking You,
For **Go Fashion (India) Limited**

GAYATHRI KETHAR Digitally signed by GAYATHRI KETHAR Date: 2024.10.30 15:03:33 +05'30'

Gayathri Kethar
Company Secretary & Compliance Officer

Encl: As above

"Go Fashion (India) Limited Q2 & H1 FY 2025 Earnings Conference Call"

October 25, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 25th October 2024 will prevail.

MANAGEMENT:

- MR. GAUTAM SARAOGI – PROMOTER AND CHIEF EXECUTIVE OFFICER – GO FASHION (INDIA) LIMITED
- MR. R. MOHAN – CHIEF FINANCIAL OFFICER – GO FASHION (INDIA) LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Go Fashion (India) Limited Q2 and H1 FY '25 Earnings Conference Call.

This conference may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations of the Company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gautam Saraogi – CEO of Go Fashion (India) Limited. Thank you and over to you, sir.

Gautam Saraogi: Thank you. Good evening and warm welcome to everyone present on the Call. I have along with me Mr. R. Mohan – our Chief Financial Officer; and SGA – our Investor Relation advisors.

I hope you have all received the Investor Deck by now, for those who have not, you can view them on the Stock Exchange and the Company Website.

I am happy to share that we have successfully sustained our growth momentum despite the ongoing challenges in the apparel retail sector.

In H1 FY '25, our revenue reached Rs. 429 crores, a group of 13% on a Y-o-Y basis. Our EBITDA stood at Rs. 136 crore, a growth of 12%. Despite a softer demand environment, our EBITDA margins have roughly stayed in line and stood at 32%. This is due to the improved product mix and high focus on maintaining operational and cost efficiency.

Our full price sales accounted for 95% with an average selling price of Rs. 759 for H1. Unfortunately, we made an error in the Investor Presentation, we have mentioned that Rs. 742. Rs. 742 is actually the average selling price for Q2. For full H1, the average selling price is 759. In a challenging demand environment, this underscores strong customer loyalty and acceptance of our product and its pricing. Our brand's ability to not only rely on discounting sets us apart from our peers.

Our unique product offering combined with quality and competitive pricing positions us favorably in the industry. As demand begins to normalize, we expect the mass premium segment to lead in terms of growth. From our internal study, this quarter we discovered an important insight which indicated that sales were shifting from the smaller stores to the larger stores as the very small stores cannot accommodate our full collection.

In response, we have made a strategic decision not to renew the leases of these very small stores, due to which we have closed 13 stores. In these 13 stores, about 9 to 10 stores are pertaining to these very, very small stores, which are probably lower than 200 square feet. Over the past next two quarters, we see ourselves closing 15 to 20 stores of this manner. We are confident that sales from the smaller stores will transition to a larger store in line with this approach.

In H1 FY '25, we opened 54 new stores on a gross basis, and on a full year basis on a full six months H1 we opened 41 stores at the net level. On a full year basis, we aim to open 120 to 150 stores on a gross level and look to open about 100 stores at the net level. Our A&P spend as a percent stood at 2%, which is in line with our previous commentary.

Coming to working capital and cash flows:

We at Go Fashion strongly believe in sustainable growth backed by cash flows. Against the backdrop, we achieved a strong pre-IndAS operating cash flow of Rs. 55 crores in September 2024. This is due to a strong focus on inventory and supply chain efficiency. Going forward, we aim to convert more than 50% of our EBITDA in pre-IndAS days operating cash flow.

On the inventory front:

We have maintained our focus on efficient inventory management, which has led to a further reduction in our warehouse inventory level. As a result, our inventory days have decreased from 104 days in March 2024 to 97 days in September 2024, showing a 17 days reduction. As we approach the festive season, we are witnessing encouraging improvements in footfalls across our Go Colors! stores, fueled by growing, improving customer sentiment. We, with our wide selection of bottom wear, are confident in our ability to capitalize the momentum and anticipate a strong recovery in SSSG and improvement in our P&L hygiene.

On the way forward, our first step is to achieve low single digit SSSG, forward which we are on track towards. Secondly, we would grow our footprint by increasing the number of stores in our portfolio. Lastly, we continue to focus on inventory optimization where it can be done to further improve our balance sheet. We expect our inventory to remain in the range of 90 to 95 days by March 2024.

To Conclude:

Although retail demand in India is currently looking subdued, we expect it to pick up in the coming months. Several factors support this outlook, including the festive season ahead, which typically boosts consumer spending, a graduate recovery in economic conditions, and a return to social events and weddings. Additionally, improving consumer sentiments and increased urban mobility are likely to drive footballs in retail stores. These factors combined make us optimistic about a rebound in demand as we move forward.

With this, I would like to hand over the call to our CFO – Mr. R. Mohan, for the "Update" on Q2 and H1 '25 Results and Financials. Thank you.

R. Mohan: Thank you, Gautam. And good evening, everyone.

Despite the challenging business environment, the Company continues to witness a strong operating performance.

First, I will give you "Financial Highlights" for Q2 FY '25:

Our revenues for the quarter stood at Rs. 209 crores as against Rs. 189 crores in Q2 FY '24, a growth of 10% Y-o-Y. Gross profit stood at Rs. 132 crores, a growth of 15% Y-o-Y, with a GP margin of 63.1% for the quarter. Our EBITDA for the quarter stood at Rs. 64 crores as compared to Rs. 57 crores in Q2 FY '24, a growth of 12% Y-o-Y. Our EBITDA margin stood at 30.5%. Profit after tax for the quarter stood at Rs. 21 crores and witnessed a growth of 3% Y-o-Y. PAT margins stood at 9.9%.

Coming to the H1 FY '25 "Performance":

Revenue stood at Rs. 429 crores in H1 FY '25 as against Rs. 379 crores in H1 FY '24, a growth of 13% Y-o-Y. Gross profit stood at Rs. 268 crores, a growth of 16% Y-o-Y, with the GP margins of 62.4% for the half year.

EBITDA for H1 FY '25 stood at Rs. 136 crores as compared to Rs. 121 crores in H1 FY '24, a growth of 12% Y-o-Y. Our EBITDA margin stood at 31.7%. PAT for H1 FY '25 stood at Rs. 49 crores as compared to Rs. 46 crores in H1 FY '24, a growth of 6% Y-o-Y. Our PAT margins stood at 11.5%.

ROCE and ROE, excluding IndAS impact as on FY '24, stood at 20.7% and 16%, respectively. Cash and cash equivalents stood at Rs. 238 crore as of 30 September 2024.

With this, we will now open the floor for questions.

Moderator: Thank you very much. The first question is on the line of Rahul Agarwal from IKIGAI Asset Management. Please go ahead.

Rahul Agarwal: Firstly just a clarification, you said 50% of EBITDA conversion into cash flow going forward pre-IndAS, is that correct?

Gautam Saraogi: Yes, correct. Pre-IndAS EBITDA into pre-IndAS operating cash flow.

Rahul Agarwal: So, EBITDA is after tax, right?

Gautam Saraogi: No, EBITDA is before tax. It is before the depreciation, interest and tax. No, pre-IndAS operating cash flow after tax.

Rahul Agarwal: Yes, that's what.

Gautam Saraogi: Yes, OCF after tax, yes, absolutely.

Rahul Agarwal: Secondly, just wanted to get some sense around this entire consumer demand, right? There is a contradictory feedback across lot of consumer products we are getting this quarter, maybe urban is going down, rural doing better, some pockets do better than the other around India. Just in your experience, how have you seen demand flowing through for your products across India regionally, pricing wise, new products where the demand is shifting, really? Any color on demand and competition will be really helpful.

Gautam Saraogi: Yes. See, demand has been very slow, Rahul, I mean, honestly, we have not seen any real improvement. In fact, July and August, we have seen a decent improvement in demand. In fact, we were having single digit SSSG also by September first week. But unfortunately, September was a very weak month with a slight early sharp as well. And the entire SSSG what we had in the first week of September just kind of became flat by September end. So, the demand has been a little slow. As far as the regions are concerned, see, I mean, look, our majority of our network are present in urban location, so we have not seen a very big outlier urban versus rural. But if I take from a geography perspective, South has been a little slower than usual. Otherwise, West, North and East have been pretty much steady, South has been a little slow.

Rahul Agarwal: And what would you expect in your internal analysis going forward into the next four months because it's very critical for these festival days actually to turn out better, so any sense on that?

Gautam Saraogi: See, we are working towards a 15% to 20% growth. See, currently, first quarter we delivered a 16% growth, this time we delivered a 10% growth. So, on H1 basis we delivered about 13% growth. So, moving forward, our Company’s aspiration is going to be that we want to achieve growth between 15% to 20%.

Rahul Agarwal: Thirdly, I saw an announcement about Mr. Vijay Srinivas getting appointed as Head of MBO sales. Any thoughts around this, as in is the Company really planning something big here? Because I thought that was not a focus.

Gautam Saraogi: Yes. Look, rightly where you said, our focus area is EBO, LFS and online, more towards the online stream. But when we look around, a lot of brands have been doing really well in MBOs. In many of the modern trade stores, the family stores across the regions have graduated and they have become a lot organized, there our presence is very weak. So, we feel if we do selectively MBO well in these family stores, in these local family stores, right, I think there is a huge potential. So, I think that business over a period of time can become a small channel. Right now, we are doing Rs. 6 crores a year, which is next to nothing. So, our idea would be to build it into a decent channel in the coming years, but doing it selectively. See, our idea is not to go gung-ho and go very big in MBO, because there are many risks in that business like discounting. So, we want to do it in a very calculated manner, I would put it that way.

Rahul Agarwal: So, let's say Rs. 50 crores business in like three years out, is that what we are doing?

Gautam Saraogi: No. Very difficult to estimate right now, Rahul. I think look, right now we have just appointed a head. So, probably over the next couple of quarters we will get a sense of a business plan, what can come out from this.

Rahul Agarwal: And just the background of Mr. Srinivas, so you mentioned the industry in the press release, but what was he doing previously?

Gautam Saraogi: He was into FMCG, and he worked earlier in many FMCG companies. And he has very good experience in the MBO and distribution. He has earlier worked in TTK and has also worked in Café Coffee Day as well, so he is very familiar with FMCG and general trade.

Rahul Agarwal: And lastly, just on the stock pledge, any update from the family side as in what's really happening around that?

Gautam Saraogi: Right now, Rahul, no update here. I mean, honestly, we wanted to clear the pledge by December is what we had committed to everyone. But as of now, we do not have an update. We are working on it. The pledge is absolutely safe. There is no risk on the pledge. I would like to reconfirm that the pledge is absolutely safe. But from a timeline perspective, I am unable to give a guidance right now, unfortunately.

Rahul Agarwal: Sure. So, essentially what we should expect is even that gets delayed or whatever happens, like by March we should at least expect the pledge to go down to zero, right, that much we can expect?

Gautam Saraogi: March. See, I am unable to commit March. I will tell you the reason why I do not want to tell March. Because every time I have given a timeline in the past, we have not met the timeline. So, for me, giving a timeline right now is very difficult. But I can rest assure you on one thing, it's on top priority of the family to clear that at the earliest.

Rahul Agarwal: Alright. Thank you so much for answering my questions. And have a great Diwali.

Gautam Saraogi: Thank you. And wish you the same, Rahul. Thank you.

Moderator: Thank you very much. The next question is from the line of Prakash Kapadia from Spark PMS. Please go ahead.

Prakash Kapadia: A couple of questions from my end. Gautam, we were very hopeful of that 4% to 5% SSSG and now if we look at some of the other consumer businesses, commentary has not been positive. So, are we still hopeful, confident of H2 being far, far better and the upcoming season would get us there? What has been the volume growth in Q2? And I think we have been alluding, we will open around 120, 125 EBOs, so how much have you opened in the first half? And what would be the CAPEX for that? And in case we see a bit muted demand continuing, would that continue, or would you reduce the EBO expansion? Those are all my questions.

Gautam Saraogi: Sure. Thank you, Prakash. So, I think, Prakash, I also just mentioned earlier that we were very optimistic in the middle of Q2, but unfortunately September was quite a low month. And the low single digit SSSG what we had of 2% to 3% in the beginning of September, just flattened out by the end of September. So, it's unfortunate that September was subdued, but look, we are very positive. I mean, look, what I have been hearing around is that many brands are saying that this sector is going to be a good sector, so I am very optimistic. And we are going to be looking and targeting a growth of 15% to 20% on an overall basis. And I think hopefully H2 should do better than H1. I do not see any reason why it should not. And I think the mood among brands has been very positive. So, I think we are working towards the growth of more than 15%.

As far as SSSGs are concerned, so for Q2 our SSSG was 0.54%, on a volume basis it was minus 0.6%. And for H1, our SSSG was 0.46% and on a volume basis it was minus 0.59%. As far as store openings are concerned, on a net basis, we have opened about 41 stores in H1, and we are falling short of the guidance what is given on a net basis. Actually, what has happened in Q2, we realized as our product collection has increased, our average store size is between 300 and 500. In our network of stores, there are still some stores which are very small, some stores might be 150 square feet, 190 square feet, and those stores are not able to accommodate the range what a 300 or a 400 square feet store can take.

And what we have realized is that many of the customers, when we did a small research among customers, many of the customers are finding it very difficult to shop and they are organically migrating to a larger store in the same market. And because some of these smaller store leases were coming to an end, in Q2 we decided not to renew them because we did not want to get into a future commitment in the stores again. So, we have shut about 10 stores in Q2 pertaining to size. So, on a net basis, we have added 41. In H2, we are targeting to open about 60-odd stores on a net basis, and on a gross basis we are going to try adding about 80 stores. So, on a net basis, we will be at around 100 stores net for the full financial year, against the original guidance of 120 to 150 stores. We have fallen short of that, but right now we are quite confident that we will get to about 100 stores on a net basis by March.

Prakash Kapadia: And then, what would be the CAPEX, if you could just quantify?

Gautam Saraogi: See, it will be anywhere in the range of between Rs. 25 crores and Rs. 30 crores. Since you are generating healthy operating cash flows in the line of more than Rs. 50 crores, I do not think --

Moderator: I am sorry to interrupt, sir, but can you please rejoin the question queue for a follow-up question.

Gautam Saraogi: So, since our operating cash flow is more than Rs. 50 crores, it is Rs. 55 crores for H1, I think CAPEX will be well supported by the OCF that we generate.

Moderator: Thank you very much. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.

Ankit Kedia: Sir, first question is on the LFS category. We have seen strong growth this quarter as well on a very, very strong base of Q1, but your receivable days have also increased. And if I look at Reliance which is 90% of your business, they are under pressure from their results. So, what's happening on the LFS plant and how much of the inventory we have pushed for the festive, because receivable days have increased?

Gautam Saraogi: So, Ankit, I think receivable days have little increased because we have added more number of stores in H1. And because we added a good number of new stores, the sales in those counters would not have really been reflected, but we placed the inventory which is better than our books. So, I think because of that slightly inventory days would be higher. As far as festive is concerned, we have not done a lot of festive stock dumping at the LFS end. I think the kind of base stocks what we have maintained at an LFS level, I think it's been pretty decent, it should take care of it. So, we have not done any large number of dispatches as far as festive days are concerned for quarter three. As far as Reliance Retail and other LFS are concerned, I think if I take an average out of Q1 and Q2, I think the performance of Reliance Retail and overall LFS, if I look at it from an H1 perspective, it is pretty decent. And we are expecting good decent performance in H2 as well.

Ankit Kedia: Sure. My second question is on your store closure. While this year you will be closing around 35, 40 stores of the smaller size, can we expect next year also some store closures to come in the same proportion?

Gautam Saraogi: Well, maybe another 10 stores next year. See, I will tell you what has happened. We have covered majority of the stores this year, the very small stores. Even if it happens next year, it will be low single digit, maybe four, five stores. But it's not going to be as big as this number.

Ankit Kedia: Can we expect 130, 140 store addition next year on the gross basis?

Gautam Saraogi: Yes, absolutely. No, in fact, next year we do not see too much of the store closer. So, on a net basis we see ourselves adding at 120+ stores next year, for sure.

Ankit Kedia: Sure. My last question is on A&P spends. While in the first half we have done 2% spends and you alluded that the second half could be better off as the demand comes in, and you are hopeful that the demand will come in. So, can we expect the higher A&P spends in second half?

Gautam Saraogi: Not really, Ankit. Because see, usually A&P spends are accelerated just before festive. We have kept our A&P spends in check because the overall environment is very weak. So, in a very weak environment when you spend too much on advertising, it does not really affect your performance too much. So, we will be maintaining the same hygiene level of 2% spend even in H2. So, marketing spend as a percentage of revenue will not change.

Ankit Kedia: Sure. And if I can just ask, one more question on gross margins. We have seen strong gross margin expansion in the quarter. Is it a one-off or we are seeing the low-cost inventory has really hit the system and we can expect this trajectory to continue for next three, four quarters?

Gautam Saraogi: Well, Ankit, it's a combination of two things. One is, we see the lower cost inventory, that is one reason. The other reason is that there are certain products, see, usually all our products carry the same GM. But there are some products which are slightly having a higher GM, and those products have done fairly well in Q2, and that is why you have seen a very strong GM of 63.1%. So, I think on a steady state basis, Ankit, you can expect a GM of about 61% to 62%, it will range in that bracket.

Ankit Kedia: That's helpful. Thank you so much, Gautam. And Happy Diwali to you and your team.

Moderator: Thank you very much. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Just a small follow-up on the previous question, which are those products that have done well for us, Gautam, if you can just call out which have higher gross margin?

Gautam Saraogi: See, there are a few products in the pants category and there are some few products in the jeggings category which have slightly higher gross margins, because of which it is reflecting in our GM.

Devanshu Bansal: And any new innovations that we have done for the upcoming festive wedding season? Any interesting new launches that we have done?

Gautam Saraogi: See, we are continuing to strengthen our pants and jeggings category. And I think, look, some few product additions we keep doing through the year, but we have not really come up with any special range, like how we had come out with an athleisure range earlier last year. There's no special range which has come out for festive. But we continue to strengthen our pants and jeggings portfolio by coming up with new colors and some new products as well.

Devanshu Bansal: Gautam, second, you are indicating that focus is on relatively larger stores, 350, 400 square feet. I guess, I just wanted to check on store productivity perspective, these stores will be having higher productivity, right, versus the earlier smaller stores that we are closing now.

Gautam Saraogi: In recent times I have definitely seen that the 300, 400 square feet stores do better, because from a shopping experience perspective, customers just prefer shopping in a slightly larger store because the color range and our product depth has also increased. The very small stores are not really working well. See, there are some stores which are continuing to do well. What we have done is we have taken a call in those markets where we have a slightly bigger store and a smaller store, we have shut the smaller store. That does not mean that completely our small store network will go away, that's not going to be the case. So, wherever we feel that by shutting the smaller store the sale will move to another store in the same cluster, we have done it on that basis. So, eventually we do not see a loss of sale by shutting these 10 stores what we have done this quarter.

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

Sameer Gupta: Thanks for taking my questions. Most of them have been answered, so just wanted to ask this on the soft demand environment and challenging environment for the apparel retail that you mentioned in the opening comments. Now, a segment of the market, which is value fashion, whatever data we have indicates that they are doing well. So, I just wanted to understand, how are you concluding that it is an overall demand environment which is soft, and we are not losing any share to, let's say, the other organized players? And the confidence that the festive will revive this, where is this coming from?

Gautam Saraogi: See, Sameer, I think we at Go Colors! are operating in the mass premium range, value retail might be doing well, but from a mass premium segment things have been slow for quite some time. And I think from a category perspective, the mass premium category is something we have always targeted. And I think when I speak to the other retailers and all and all the retailers are having a positive mindset that this time festive might be good. So, that narration is probably coming from there. So, we are quite optimistic that this time Diwali and post-November and Christmas and New Year's also we will do a good number. So, the narration on the slowdown was more from a market premium segment. Yes, the pockets of value retail are definitely doing well. Our customer is the mass premium customer, so the value of retail customer will not really eat into our sales as such.

Sameer Gupta: Just a follow-up, Gautam. Gautam, I just wanted to understand this. So, mass premium is doing slow. First of all, how do we conclude this, that it's the overall market which is the problem and not only some of Go Fashion or some other retailers? And second is that, are we sure that the consumers are not downgrading to the more value retailers kind of a thing?

Gautam Saraogi: See, in retail, Sameer, there is a premium segment, there is a mass premium segment, there is a value segment, right. And there is a customer for each of these three segments. When I evaluate the other brands in the industry, everyone has been complaining about a little bit of slowdown. Of course, there are some exceptions there and that's always going to be the case. But when I speak to most retailers, the sentiment and the commentary is very similar. So, I am somewhere driving that conclusion from what little bit of research and the chat what I have been having with the other folks.

Sameer Gupta: Got it. And down trading question.

Gautam Saraogi: See, on the down trading question, look, for the kind of products we have, Sameer, we are priced at the bottom of the pyramid. So, I do not see value retail eating into our shares. The customer who wears the kind of product we give, they will definitely come back to Go Colors!, or any other brand in the mass premium segment if they have a similar product offering.

Sameer Gupta: Sorry, you mentioned that you cater to the bottom of the pyramid, did not get that, sorry?

Gautam Saraogi: Bottom of the pyramid as far as mass premium is concerned. See, for the kind of product offering we have in terms of specs, our pricing is one of the lowest. So, I think for the kind of value offering what we are giving, I do not think value retail should eat into our thing. I do not see that happening.

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

Gaurav Jogani: My question was regards to the inventory bit. You alluded in your opening remarks something on why the inventory was down, did not really catch it, if you can just repeat it, if you don't mind.

Gautam Saraogi: See, actually, Gaurav, historically we were carrying very high inventory in books in terms of number of days. So, over a period of time we have rationalized inventory. So, we had about, if I am not wrong, we had about 120 days or something of inventory earlier, and we have brought it down to 97 days. In Q1 we had 87 days of inventory and now we have about 97 days. Obviously, inventory days have slightly gone up from Q1 because we are entering the festive season, so we are carrying slightly higher inventory. On a steady state basis, we see ourselves carrying inventory anywhere between 90 and 95 days. So, compared to earlier quarters and years, we have rationalized our inventory a lot.

Gaurav Jogani: And the next question is with regards to the overall, again, the demand bit only, but it's more on the regional side. I think the data that suggests, most of these sales is coming from the southern part of India, and the store opening is also in that region itself, so any particular reason of opening more stores in the southern part of India and not the other parts of India, anything that you can allude on this front?

Gautam Saraogi: See, our expansion strategy has not really too much to do with how a region is particularly doing in a particular period, right. See, for us if a city has a potential where we feel where we can have multiple stores and the city from a consumption perspective is good, we will open in that city, regardless if that region is weak or not. So, I think our city selection has nothing to do with current trends. We go on the basis of the size of city and then we decide.

Gaurav Jogani: No, the question was, because we have been seeing that, you said that the North West and the East part has been relatively stable, versus the South which has been a bit slower. And hence, wouldn't it be more prudent sense that the demand conditions are more steady to open more stores there?

Gautam Saraogi: No, we are trying to. Definitely North and East is definitely one of our focus areas, and because the base is low there our growth rates also have been very encouraging. So, we are opening in North and East. But at the same time, when we are we are getting very good store options and opportunities in the South, I think it's a good time to take it, because when demand picks up then we will end up having a good location also in these markets.

Moderator: Thank you very much. The next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: The first question is on ASP decline, what is leading to that ASP decline on first half number?

Gautam Saraogi: No, actually Prerna there was a correction, I mentioned in my opening remarks. In the investor presentation we actually by mistake showed only the Q2 ASP, the blended ASP for H1 is Rs. 759. So, there's actually a 1% increase in ASP on a Y-o-Y basis.

Prerna Jhunjhunwala: Okay, I missed that, I joined in a late. Sorry I missed the number again.

Gautam Saraogi: It's Rs. 759.

Prerna Jhunjhunwala: Now that makes sense now, because --

Gautam Saraogi: Yes, we ended up noticing it last minute, so apologies for the mistake.

Prerna Jhunjhunwala: No problem, I also missed the opening remark. The second question is, where is the demand better in terms of categories? And where are we faring well, you mentioned jeggings and pants, but what about the core category of ethnic wear and how do you compare it with your western wear portfolio?

Gautam Saraogi: No, see our core is doing very well, so we have not seen any real decline or anything in our core categories. Core categories like leggings and chudidaars have been historical product and will continue to do now. Just as the Company, because the sales over a period of time has started shifting more towards specialty, whatever, like pants and jeggings. Our focus also is more on those kind of product segments. But as such, our other categories like leggings chudidaars have not seen any decline as such.

Prerna Jhunjhunwala: One more question, if I may. I just wanted to understand, what is the kind of SSSG that you are building in for this 15%, 20% growth that you are looking? I mean, what are your expectations with respect to this? And we generally see some demand contraction also after festive season, so how would this be?

Gautam Saraogi: See, without being very over aspirational, I can see, we are working towards a 15%, 20% number with the low to mid single digit SSSG. So, I think we are working towards that. So, we are hopeful that we will be able to achieve that in the coming quarters.

Moderator: Thank you very much. The next question is on the line of Saurav Mundal from RK Advisory. Please go ahead.

Saurav Mundal: So, my first question is on your application. I have seen that in Play Store the rating is very low, I think it's around 2 star, and most of the people says that they have problem with logging in or making accounts. So, can you tell me why?

Gautam Saraogi: No, Saurav, actually what happened, we have not really launched our application officially yet. We had actually launched that application more from an internal training perspective. But because it was in the Play Store, many customers downloaded as well. So, we have actually not officially launched it yet. Over the period of the next few months, we are going to be launching our app, sir.

Saurav Mundal: The second question is, how do you do the omni-channel sales exactly? Like when the customer visits the store and they do not find the right fit or right color, and you take the number or e-mail, and you do messaging and e-mail or how?

Gautam Saraogi: So, typically what happens, Saurav, I will first start with the online part. In the online aspect, when a customer places an order, the closest store in that region will deliver the product. So, our aspiration is, if a customer is placing an order, then do a local delivery service in your network and can we deliver it within 24 to 48 hours is our target. That is as far as the website is concerned. As far as the store is concerned, since we carry so much of inventory at a store level, the likelihood of a customer not finding their color and size is usually a little less. But in that case, sometimes we try converting the customer into an online customer. So, then and there we have a tablet, we convert that customer into an online customer and then the closest store in that particular region will dispatch. So, these kind of omni-channel initiatives we are doing currently.

Saurav Mundal: My third question is, our products are competitively priced and widely appealing, including in smaller cities across various regions. Given this, could you clarify why there isn't a greater focus on expanding existing cluster and region? I know you open your store beyond your cluster, but why not new cluster and go beyond the cities where you are not present?

Gautam Saraogi: No, we will be going. In fact, we are actually doing that now. We are trying to go beyond our clusters and open stores in new cities, and that is something which is one of our key focus areas. And we will see a lot of that in the coming quarters. But I think even if we do that, I do not think a ratio of our top 10 cities and the Tier-2, Tier3 city, I do not think that ratio really changes, but definitely a strong focus is definitely there in cities where we are not present.

Saurav Mundal: Okay, that answers the question. I was actually saying that because we are kind of taking our marketing initiative through store opening, that's why I am saying that. But that was my question, thank you.

Gautam Saraogi: Yes, noted. Thank you so much.

Moderator: Thank you very much. The next question is from the line of. Abhishek Bhudolia from Narnolia Financial Services Limited. Please go ahead.

Abhishek Bhudolia: Sir, I just wanted to ask that in Q4 FY24 revenue was Rs. 182 Cr and your debtor was Rs. 79 crores, so your debtor days comes about 159 days, why is it so high? Can you give an update debtor days for stores?

Gautam Saraogi: See, the thing is, the debtors which are in our books is actually inventory on the shop floor, the unsold inventory because of accounting standards is debtors in our books, so that's why the number of days has always ranged between 150 to 155 days. So, on the overall Company revenue basis, our debtor days will be between 37 and 40 days. But on a store level, it is high because the unsold inventory there is debtor in our books, because the LFS partner will pay us only after they have sold it, it's on a SOR basis.

Abhishek Bhudolia: And you are sitting with around Rs. 220 crores of cash and you make around Rs. 50 crore of cash half yearly. So, what's really stopping you from rapidly opening stores? I mean, next year also you have given a target of 120 stores only which has been constant for about multiple quarters. And even your cash flow generation has declined from H1 to H1. So, can you elaborate on the cash management strategy?

Gautam Saraogi: See, H1 to H1 cash flow declined because last year was the year when we had reduced a lot of working capital and inventory. So, last year effectively the cash flow was a lot stronger. This year we have not really reduced too much of the inventory of working capital. So, whatever EBITDA we have generated is converted into operating cash flow. So, one of the reasons why H1 this year versus last year H1 OCF might look a little different is because last year only we had reduced working capital. As far as opening more stores rapidly is concerned, see, real estate sometimes can be very tricky. So, we do not want to be in a hurry and open wrong stores. So, that's why, see, usually I have told in the past also that if we evaluate 1,000 locations, we end up opening 120 to 150 stores because we have a 12% hit rate. So, we are trying to increase the number of stores we evaluate, and we have formed a good busy team. So, we are trying to improve the larger number of 1,000 stores and end up opening more. But in real estate you have to be very careful, if we do a very strong and fast expansion, we can sometimes end up opening wrong stores as well. So, we want to maintain quality hygiene as far as store expansion is concerned.

Moderator: Thank you very much. The next question is from the line of Akhil Parekh from B&K Securities. Please go ahead.

Akhil Parekh: Gautam, I just have one question from a competitive landscape perspective. If I look at stores in Tier-1 cities, have we done some kind of study in terms of what percentage of Zudio stores are there in close proximity to Go Colors!? Because a year back even kind of Dmart acknowledged that their apparel segment is getting impacted to some extent because of increased competition with players like Zudio, and we continue to see the footfalls in Zudio remain very strong, even during last three months basically. So, that is one, there's a competitive intensity in the Tier-1 city. But in Tier-2 and beyond, we have almost 35% to 40% of the stores. Meesho, which operates in most geography has, has given an update that their sales have grown by 40% during first few weeks of the festive season. So, is there a some kind of impact which probably we are not acknowledging in these two geographies basically, which is Tier-1 and Tier-2 and Tier-3?

Gautam Saraogi: See, we are largely the top 10 cities, and majority of our networker is there more in Tier-1 and top 10 cities. So, for us our experience has been very consistent, honestly. I mean, our presence in rural is not very high. So, we have not seen a very difference in experience between rural and urban, honestly. As far as opening locations are concerned, see, look, we have been doing well and there are many other retailers who are also doing that, so we follow all such retailers.

Akhil Parekh: My question was, is the competitive intensity because Zudio is impacting our sales in Tier-1 cities, and is the competitive intensity because of Meesho impacting our sales in Tier-2 and beyond other cities?

Gautam Saraogi: Okay, sorry, I misunderstood your question. See, Zudio or any other large format stone will not impact our sales. See, we are a very specialized bottom wear brand with so many color options and product options. So, for us, competition would be really someone else who's doing bottom wear in a dedicated manner. So, that will be an apples-to-apples comparison. So, right now we do not see any of the large formats out there eating into our share.

Akhil Parekh: And same holds true for Meesho as well, you are saying?

Gautam Saraogi: See, honestly, online players honestly are not competition for us because online is a completely different ball game. So for us, like I mentioned, a dedicated brand in bottom wear selling online or offline will be real competition. Meesho is still an online market play. So, the same example for LFS and Meesho go hand in hand from that perspective.

Moderator: Thank you very much. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Thank you and over to you.

Gautam Saraogi: I would like to thank everyone for being part of the call. We hope we have answered your questions. If you need more information, please feel free to contact Mr. Deven Dhruva from SGA, our Investor Relations Advisors. Thank you, wish everyone a very Happy Diwali and happy festival. Thank you all.

Moderator: On behalf of Go Fashion (India) Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.