STANLEY
Makers Of Beautiful

Date: 18.02.2025 Ref no. SLL/SE/15/2025

To, National Stock Exchange of India Limited (“NSE”) Listing Department Exchange Plaza, C-1 Block G, Bandra Kurla Complex Bandra [E], Mumbai – 400051	To, BSE Limited (“BSE”) Listing Department Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001
NSE Scrip Symbol: STANLEY	BSE Scrip Code: 544202
ISIN: INE01A001028	ISIN: INE01A001028

Dear Sir/Ma’am,

SUB: TRANSCRIPT OF THE EARNINGS CALL HELD ON 14TH FEBRUARY 2025

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith a copy of transcript of the earnings conference call held on Friday, February 14, 2025 on the unaudited financial results (standalone and consolidated) of the Company for the quarter and nine months ended December 31st 2024.

The transcript of the earnings conference call is also available on the website of the Company at www.stanleylifestyles.com

We request you to kindly take this on your record.

Thanking You,

For Stanley Lifestyles Limited

AKASH SHETTY Digitally signed by AKASH SHETTY Date: 2025.02.18 14:34:24 +05'30'

Akash Shetty
Company Secretary and Compliance Officer
FCS No.11314
Enclosed: As above

"Stanley Lifestyles Limited

Q3 FY '25 Earnings Conference Call"

February 14, 2025

MANAGEMENT:	**MR. SUNIL SURESH – MANAGING DIRECTOR– STANLEY LIFESTYLES LIMITED** **MRS. SHUBHA SUNIL – WHOLE-TIME DIRECTOR – STANLEY LIFESTYLES LIMITED** **MR. PRADEEP KUMAR MISHRA -- GROUP CHIEF FINANCIAL OFFICER – STANLEY LIFESTYLES LIMITED** **MR. SRI KRISHNA – CHIEF EXECUTIVE OFFICER – RETAIL DIVISION – STANLEY LIFESTYLES LIMITED**
MODERATOR:	**MR. BHAIVAB GARG – INVESTEC CAPITAL SERVICES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Stanley Lifestyles Limited Q3 FY '25 Earnings Conference Call hosted by Investec Capital Services India Private Limited. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask question 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. Bhaivab Garg from Investec Capital Services India Private Limited. Thank you, and over to you, sir.

Bhaivab Garg: Thank you. Good afternoon, everyone, and a very warm welcome to Stanley Lifestyles Limited Q3 FY '25 Earnings Call hosted by Investec Capital Services. On the call today, we have representing Stanley Lifestyles Limited, the management team comprising of Mr. Sunil Suresh, Managing Director; Ms. Shubha Sunil, Whole-Time Director; Mr. Pradeep Kumar Mishra, Group CFO; and Mr. Sri Krishna, CEO, Retail Division.

I will hand over the call to management team to make the opening comments, and then we will open the floor for questions. Please go ahead, sir.

Sunil Suresh: Good afternoon. My name is Sunil Suresh, Managing Director of Stanley Lifestyles Limited. Welcome to Stanley Lifestyles Limited Earnings Conference Call for the third quarter and 9 months ended 31st December 2024. We have shared and uploaded the earnings presentation on the exchanges, and we hope you have received the material. Stanley Lifestyles continued the growth trajectory in Q3 FY '25, driven by strong performance across its COCO retail business.

The company reported revenues from operation of INR 1,097 million, reflecting a 6.5% quarter-on-quarter growth and led by a 10.1% year-on-year increase in the COCO retail business. Despite challenges in Q2 FY '25, with reduced store footfalls due to unusually heavy rainfall and subdued market conditions in key retail markets and the shift in one of our business verticals from credit to cash and carry model, the retail business grew by 6.6% year-on-year in 9 months FY '25.

On the profitability front, the localization efforts have been progressing well, leading to an improvement in gross margin. The gross margin expanded to 58.1% in Q3 FY '25 compared to 54.7% in Q3 FY '24. EBITDA for the quarter was INR 204 million with a margin of 18.6%, while the PAT margin expanded to 8.1% in Q3 FY '25 compared to 6% in Q3 FY '24.

Continuing the expansion strategy, the company added 4 new stores in Q3 FY '25, 2 under the Stanley Level Next brand and 2 under Stanley Sofas & More brand. With this, our total store count is 68 stores, comprising 41 COCO stores and 27 FOFO stores. COCO stores contributed 60% of the total revenue during Q3 of FY '25.

Looking at the broader market, India's economic transformation continues to create promising opportunities for the premium and luxury furniture segment. The rapid growth in luxury housing is a key driver to our demand. Sales of apartments priced between INR 1 crores to INR 10 crores increased by 46% in 2024 and have grown nearly 500% for the past 5 years.

Similarly, apartments priced at INR 2 crores to INR 5 crores have registered a significant 400% growth in the past 5 years. This trend is particularly strong in key urban markets such as Mumbai, Bangalore, Delhi-NCR, Pune and Hyderabad. As the handover of luxury homes is expected to surge in the coming years, Stanley Lifestyles is well-positioned to cater to this growing demand in this segment.

Looking ahead, Stanley Lifestyles remains committed to growth strategy and continues to be on track with the store expansion plan. While some planned stores launches for FY '25 have been delayed due to retail inflation, making it challenging to secure Grade A properties at prime locations with favourable terms.

These openings have been deferred to upcoming quarters; however, the company remains focused on executing its expansion pipeline while strengthening its brand positioning, constant innovation and the product portfolio. With a strong foundation, a dedicated team and the continued trust of our stakeholders, Stanley Lifestyles Limited is well-positioned to achieve its growth objectives and create lasting value in the premium and luxury furniture market.

Thanking you for your attention. That concludes my remarks. I would like to now open the floor for questions and answers.

Moderator: The first question is from the line of Tania Lalla from Anand Rathi Institutional Equities.

Tania Lalla: Congratulations for a good set of numbers. So I had 2 questions. One was, as you mentioned, there is a rental appreciation seen in Bangalore and Delhi NCR. So how are we looking at mitigating the rise in rental costs? Are there any specific real estate strategies like you're thinking of, for both of the regions?

Sunil Suresh: Yes. While post-COVID, there has been a surge of demand from retailers across the country, especially in Grade A areas of known retail markets across all the cities. The supply of retail space has been limited. And due to that, the rental expectations are extremely high. We have been very cautious throughout our journey, and we want to remain that way because we understand that for furniture, we require larger retail spaces and rent quotient actually plays a big role in how we do our business.

Currently, we are aware that in the same market, there is a lot more supply that is coming up and also demand for retail spaces has started to slowly come down with the market being subdued for many, many brands and fashion and apparel people. So we are hoping to sign up. Having said that, we have signed up various properties. In some areas, we have also enabled what is known as build-to-suit with a lower rental and a longer period of agreements, and we want to move cautiously in this area.

Tania Lalla: Okay. Understood. My second question was in terms of the order book. So in the last quarter, we had mentioned that currently, for B2B, we have accounts which is Toyota, IKEA and Williams-Sonoma. So any order book outlook that you could give us looking ahead?

Sunil Suresh: So the B2B order book has remained flattish throughout the year. While we have ongoing discussions with Williams-Sonoma from America, nothing has materialized yet because they are waiting and watching the tariff issues that are happening in America currently. We are hoping that we'll have some kind of order books coming in probably by April, once the tariff clarity is there.

At this point, they have put that on hold. So while we continue to supply to IKEA and others, we have great opportunities to also support America provided the tariffs are controlled, and we are hoping that Mr. Modi's meeting today in the US will help us all.

Moderator: The next question is from the line of Resha Mehta from GreenEdge Wealth.

Resha Mehta: Sir, so while in the B2C segment, a 10% revenue growth is still respectable considering the muted demand environment. But if you could just talk about each of your 3 segments, B2B, B2C, B2B2C and how they have done? And what is your demand outlook for each of these segments? And more specifically, for B2B2C, what has happened post we moved to a cash and carry model?

Because I think the numbers there have not been mentioned. And I would imagine considering 10% and 20% growth in the other 2 segments, yet the top line of just growth of 2% overall, which would imply there's been a good de-growth in B2B2C. So basically, outlook in each of these 3 segments and, specifically, what has happened in B2B2C after transitioning to cash and carry model?

Sunil Suresh: Yes. So we realized that the B2B2C, the credit was getting piled up. Post-IPO, we decided that we have to move it to cash and carry because the collections were becoming long overdue. And due to the stress in the market, the tendency is the B2B2C, the dealers normally do not make the payment and delay the payments. From our perspective, while we have lost a significant number in terms of value of business, but we were able to safeguard our recoveries.

Long-standing recoveries were close to INR 3 crores, and now we have dropped that to almost INR 60 lakhs. We have collected almost 75% to 80% of the old dues. So that was one of the things that impacted the sale. I think the revenue loss was roughly around INR 12 crores due to converting from a credit to cash and carry in that particular vertical.

Resha Mehta: Okay. And outlook?

Sunil Suresh: Outlook is that while we have streamlined it, we have started to grade our customers in B2B2C. And from 1st of April, we will slowly start our credit facility. We are getting a credit agency to rate these customers, and we will come back to the market, and we are hoping to get this business probably by Q2 of next year.

Resha Mehta: Sir, so it used to contribute around 10% of our overall revenue. So would that be down to close to 0? I mean, would that be a fair assumption?

Sunil Suresh: No. No, it was roughly, I think, at the moment, I think we are hovering around…

Pradeep Mishra: It was 20% of overall business and which is de-growing by 30% for the quarter.

Resha Mehta: And for 9 months?

Pradeep Mishra: For 9 months, It has degrown by almost 15%, overall.

Sunil Suresh: No, B2B2C.

Pradeep Mishra: 50%. Yes, but this percentage is lower. Entire B2B2C...

Resha Mehta: No, sorry, I was specifically asking for the B2B2C segment, where we had this cash and carry model transition, right?

Pradeep Mishra: Post transition, segment degrown by 15%.

Resha Mehta: 1-5, 15%?

Pradeep Mishra: Yes.

Resha Mehta: Okay. For 9 months. And this was 10% of revenues, right?

Pradeep Mishra: 20%.

Sunil Suresh: 20% of our revenues.

Resha Mehta: So then how much was B2B? Because I think in last concall, you had mentioned this was 10% and B2B, which is basically to the auto companies and the likes of IKEA that was 20%.

Pradeep Mishra: So we have see, B2B, which is about 20%, which is 80-20 rule which we've always been telling. Now under brand, which is B2C, we have B2B2C, which is another 20% of overall revenues. So COCO is 60%, then we have B2B2C, which is 20% and then we have B2B, which is 20%. So it adds up to 100.

Resha Mehta: Okay. So it's 60 plus 40 basically.

Pradeep Mishra: Yes, 60 plus 20 and 20.

Resha Mehta: Sorry, it would be 60 plus 40, right?

Sunil Suresh: No, it's basically 60% is COCO business. 20% is branded B2B2C, and 20% is B2B.

Resha Mehta: Right, right. Got it. And what would be our outlook for the growth? Because see, from a midterm perspective, we have highlighted that we aspire to grow at 20% CAGR, right? But considering the muted demand environment and the stress that we are also seeing on the B2B side of business, would you want to kind of scale down your growth aspirations at least in the short term, say, the next 6 months to 1 year kind of a time horizon?

And if yes, then what would that number be? And also at an overall level because B2B, like you were mentioning to previous participant that order book visibility is not there. So if 40% of your business is probably de-growing or stagnating, at an aggregate level, what would be our revenue growth aspiration in the short term?

Sunil Suresh: Okay. So from a B2B perspective, though we do not have any new account visibility, we have what we can call as already given forecast for a couple of years, both from our car automotive business as well as from IKEA. So thereby, though we don't have any new visibility that will continue to stay where it is, so it might be a flattish growth for B2B. The B2B2C, we are correcting it, and we are very sure that we will bounce back to our previous business probably by Q2 of next financial year.

Whereas B2C is where we are expecting good growth because we have now signed up a lot more new stores that are coming up in areas we were not present. And we hope that we will definitely deliver 20% growth as explained in the past in the coming year too, quarter-on-quarter. This is how we are planning.

Resha Mehta: Sir, but with the B2B remaining flat and B2B2C only kind of seeing a resurgence Q2 onwards, right, so B2C really has to grow more than 20% for us to grow at an aggregate level at 20% CAGR. So, I'm not able to kind of reconcile your revenue aspirations. Anyways, I think probably I'll take that offline.

The second question was on the gross margin front. So, you all have mentioned that the improvement was attributed to the localization. So if you could just call out what was our aspiration here in terms of localization and where have we reached and still how much gap we kind of need to fill in terms of localization?

And also, all of this gross margin expansion was purely due to the localization effort? Or was it also due to some product mix change that we saw?

Sunil Suresh: I think it's a combination of various things, but majorly due to localization. We had targeted close to 35% of our leather purchase to be localized this year, and we are on track. Also, we have mitigated the risk of expensive dollar, which has played out good for us. And also correcting it, it's a product mix.

And also where we are going to expect more growth is we have started to open our fixed furniture also for our third line starting from Q1 and Q2. So all this is helping us, plus due to certain of our verticals like Case Goods division achieving certain scale, we have started backward integrating.

We have invested in new equipment and machinery that will give us a lot more margins as we go forward.

Resha Mehta: Right, right. And sir, this 20% localization that we are at in terms of leather, what was that number, say, 2 years ago? And finally, where do we want to reach, where do we want this 20% number to go to?

Sunil Suresh: 35% was the target. We are on track. We are at about 33% right now. And my target is to get to about 45% end of next year.

Resha Mehta: Right. And that would be the optimum level, right?

Sunil Suresh: No, it is a very slow and steady process because there is equipment and machinery that the tanners have to invest. And now there is a good news because of the current import duty on crust and raw material has been taken off.

There was a 25% import duty, so we will get more efficient in developing on imported crust. So the tanners are more happy today and are willing to invest in machinery. So in the long term, I think, our vision will be to get to almost 80% localization probably in 24 to 36 months.

Resha Mehta: Okay. If you could also call out what was the same-store sales growth that we saw for Q3 specifically? And also, the last question from my side would be on the B2B opportunity, right? So we've been highlighting that 70% exports of furniture from China to the U.S. Now with this trade war happening, are we already seeing some benefit, which can come to India?

And of course, in India, we are a player with an integrated ecosystem, so have we started seeing that benefit? Have we started seeing order inquiries, etcetera? If you could just comment on this B2B export opportunity?

Sunil Suresh: Sure. I will answer this in a slightly different way. We have already moved far ahead in terms of BIS certification and already BIS certification on certain parts and components of furniture has come into play from 11th of February. So anyone importing furniture from China or anywhere else will need to declare that the fabric and the boards used in this furniture has BIS certification. That's the first impact that they are going to face.

We are also aware and in discussion with the Industries Ministry, and there is a most likely chance that they will implement BIS and QCO on furniture as they have done in footwear as well as in toys. In that case, we believe that manufacturers like us in India who have integrated have a much better opportunity because almost 90% of our competition currently is from importers and not from other local manufacturers.

So while we do have an idea and wanting to start exports to America or other countries, we believe that the opportunity domestically will be much higher. Also, the fact is in March, we have just started our pilot shipment and one container of furniture is being exported to Germany. We opened a new account in Germany, and the first shipment will leave this March. So that is as far as exports are concerned.

Resha Mehta: Understood. And SSSG?

Pradeep Mishra: And on SSSG, our SSG is same-store sales growth is negative for the quarter. We have expanded the retail square feet. And quarter 2, quarter 3, we really saw subdued demand that led to my SSSG being negative.

Sunil Suresh: No, that is, again, to articulate it correctly, primarily, the expansion has happened in cities like Bangalore, where we have actually gained market share of in excess of 10% compared to last year. But then there will be a same-store degrowth because of cannibalization that normally is a trend for about 1 year, 1.5 years, but actual market share has improved.

Pradeep Mishra: Yes.

Moderator: The next question is from the line of Yug Jhaveri from Molecule Ventures.

Yug Jhaveri: Sir, it will be really helpful if you can provide same-store sales growth across all the 3 formats individually?

Pradeep Mishra: So again, same-store sales growth across all the 3 formats is negative, but in the lower single digits. What we see is, we see a market as a whole, where we try to increase the market share in the respective region of Bangalore, Bombay, Delhi, Hyderabad, Chennai. And what we have seen is at the market level, we have increased our market share, though SSG being lower on a single digit negative. And it remains same across all the 3 formats.

Sunil Suresh: And in certain areas like Delhi, where we have not expanded, actually, the same-store growth is much higher. So in cities where we have not expanded, the same-store growth is much higher. Whereas in cities where we have expanded, for example, in Bangalore, it is definitely slightly lower in single digits, but that is the normal trend we have seen over the years. And they even out in a little bit of time. But overall market share has increased.

Yug Jhaveri: Sir, can you just provide a reason that as we see from the past 2 years, that is FY '23, we added 14 stores. In FY '24, we added 10 more stores. We are expanding rapidly. So why our growth has remained flat across as we are expanding? So can you help us understand what is the scenario right now? And why the same-store sales growth is negative in the region while we are expanding there?

Sunil Suresh: Sure. To best of our knowledge, what really happens in our furniture business is that the stores normally take between 12 to 18 months to come to what you can call as minimum business sale. So it takes time to kind of build up to that level. Usually, the first year, the store offers you about 50% to 60% of its potential. Second year, about 70% to 80%. And third year is when it goes to come to maturity.

So when we keep expanding in a particular city, what happens is when the catchment that we opened a new store is closer to the old store, there will be 20% to 25% cannibalization from the old store. However, the geographical area market share, we are increasing. And as the stores keep maturing, the same-store growth also starts coming back. This is what we have seen in the past.

Yug Jhaveri: Yes, Okay, sir. So got it. So as you are telling like in 2021 and 2022, the stores we opened are now near breakeven or are giving positive SSGR. But the stores, which we opened in '23, '24 due to the fact that they are not matured right now, so as the overall same-store sales growth is negative right now?

Sunil Suresh: Correct. Correct.

Yug Jhaveri: So at what period or what time you're expecting them to be positive and overall positive, these stores also along with those contributing '21, '22?

Sunil Suresh: Sure. As we continue to expand now carefully, we believe that in the next 3 years, almost 80% of our stores would have come to maturity levels. At this point in time, less than 50% of stores are in the maturity level. And as we keep going forward, the older stores will come to maturity level, and we will buck the trend then. We continue to take market share. But as you rightly said, there will be some same-store growth discrepancies, and that will even out eventually as the stores mature.

Yug Jhaveri: Okay, sir. Got it. And the next question is regarding the expansion. So if we see the COCO stores have grown 10% this quarter. B2B despite the uncertainty has shown an amazing growth of 21%. So are we facing muted growth on a blended basis because of FOFO stores right now, the 27 FOFO stores, which we have currently? Or is there another reason for the overall growth?

Pradeep Mishra: It's because of the B2B2C for the quarter, we changed from credit to cash, thereby that segment of the business has de-grown by 27% in this quarter.

Yug Jhaveri: So sir, I'm not able to understand that if 60% of the revenue is coming from COCO, that is retail, retail outlet, and that is growing by how much, sir, in this quarter approximately 10%?

Pradeep Mishra: Yes. And say another 20% is B2B, which is growing at 21%.

Yug Jhaveri: Right. So 80% of the revenue is coming from these 2 segments. And if they are growing 10% and in double-digit, right? So how the blended revenue growth is only 2%?

Pradeep Mishra: Because the third leg has de-grown by 30%, 27% to 30%.

Yug Jhaveri: Because of only that reason, the overall revenue growth is negative. Low single digits?

Pradeep Mishra: Yes. It's 2%.

Sunil Suresh: So the B2B2C is also brand play.

Pradeep Mishra: Yes. Branded B2B2C has seen some disruption because of credit issues and, hence, we have scaled down. And that has degrown by 27%, hence, taking overall growth to 2%.

Yug Jhaveri: Okay. So you are telling that by Q2 FY '26, B2B2C will also be reviving and the overall growth would be showing very good result post that?

Pradeep Mishra: As of now, we have cleared all the old issues of credit. And now we are like what you said, we are assessing the credit worthiness, and then we will start that cycle with a more measured way going forward.

Yug Jhaveri: Okay, sir. And just last couple of questions. First, regarding the inventory handover. So like from 1 to 2 quarters, you are saying that we are seeing significant delays in inventory handovers from the developer side. So, are you seeing any improvement from that side? And how you sense sir, growth going ahead regarding this issue?

Sunil Suresh: So there is a continued delay happening, and we know that it's a matter of time when there will be a large chunk of inventory coming to the market. We have been experiencing it at our store level. There are customers who are engaging with us, but not engaging in the final placement of the order because the builders are not handing over on time.

We are aware that there will be a major chunk of inventory coming into the market in the due course. We are hoping starting from Q1, we are going to see a lot more inventory coming into the market. And of course, the sales have been very buoyant. As you see, the premium and luxury housing is still selling at high double-digit numbers, and we are hoping the inventories should start kicking in. And we are very bullish about the next couple of years coming forward because there is a lot of already sold inventory yet to come to the market.

Yug Jhaveri: Okay. Got it. So you are expecting the revival from next year, FY '26?

Sunil Suresh: Yes, yes.

Moderator: The next question is from the line of Shubham Biswal from Convince Capital.

Shubham Biswal: So sir, I want to know specifically about the COCO and the FOFO stores. And so I want to know how the FOFO stores are operated in the sense that are they decentralized? I mean, do we have individual people handling their own marketing, how they manage the footfalls, the store design? Or is it something where we have all the control? We have a very high degree of control over the stores, over the staff?

Because what I've usually noticed is that in FOFO stores, there is a lack of control and because of which the unit economic doesn't fit right and then it doesn't work. So are we facing these problems in our FOFO stores? Or how do we look at this problem? So that's my first question.

Sunil Suresh: Okay. So in certain markets, we have our legacy partners who have been present. Going forward, we are also looking at stronger partners where we can give a complete state. For example, in Kerala and in Gujarat, we have demonstrated that entire state we have given to a single party so that he is able to open all our different formats of stores in the different cities of the state.

While the FOFO model is always plagued with underselling or discounting, we try to keep a maximum control by ensuring that we need to know the end customers' name and details. So part of our new Salesforce implementation, which we have just done is that unless they are giving us the details of the end customer, we are not going to back up them for with the warranties.

So we have been putting these controls. From our standpoint, the entire business is a cash and carry. We normally do not give any credit whatsoever. We sign up with an MOU of INR 10 lakh just before engaging. Then we press our people to go to the markets, look for the location. We are very specific about location and catchment area.

Once that is done, we entirely design, we do a computation study in those markets, and then we design the store according to our standards. In many cases, where we feel that the markets are not ready for our luxury format, we offer our second format or sometimes even our third format to the franchisee. So that is how we are able to control our franchisee rollout.

We have enough and more inquiries, but we are very fussy about getting the right people. We have certain requirements where the franchisee has to be fully involved and it has to be his main and core business. There are a lot of cases where real estate people who have invested in buildings want to take up the franchisee.

We do not give it to such people. Yes, and there's training every year. Every year, we conduct two events in the factory. We conduct events for almost 2 days each time, all the new products, so all the franchisees will be here in Bangalore, and we completely train them with our products.

Shubham Biswal: And so sir, how is the revenue sharing model? I mean, how does the unit economics work here? Like so between the franchisee and us, like what is the upfront capital that the franchisee brings? Can you shed some more light on it, sir, if possible?

Sunil Suresh: Yes. Depending on the 3 different models, for example, for the Sofas and More, the investment will be about roughly INR 1 crores to INR 1.5 crores. Stanley Boutique is again INR 1.5 crores to INR 2 crores. Stanley Level Next is about INR 4 crores to INR 5 crores depending on the market. The franchisee must have the creditworthiness to bring the entire money.

We normally give them between 40% to 50% margin. There is an element of discounting allowed. But normally, most of our successful franchisees have broken even and got ROI within 24 to 30 months.

Shubham Biswal: Right, sir. Just one final question, sir. Sir, we have a different kind of a customer segment, but what is your view on furniture rental companies? And I mean, so would you, in the future, if you ever consider to go towards the Tier 2, Tier 3 cities, would you go the furniture rental way? Or would you consider even going towards those cities? I mean, how are you looking at this market? And yes, that's my final question, sir.

Sunil Suresh: So for us, basically, in the three segments where we are playing are actually much higher than people wanting to hire furniture at this point in time. Most of our customers are what you call as in the segment where they normally have enough budget for doing their homes.

So, at this point in time, I do not believe that we have an opportunity or we are looking at anything to do with furniture rentals. But we never know as trends change in the future, we might get into it. But at this point in time, we have people who are very conscious about and proud about their homes, and we would like to continue to cater to them.

Moderator: The next question is from the line of Arvind Arora from Mahar Minerals.

Arvind Arora: Sir, my question is mainly regarding on this operating margin. So I can see like there is an increase of 400 bps approximately. So is it due to this hike of 5% that we have taken in quarter 2?

Pradeep Mishra: Gross margin increment is mainly because like what we had explained earlier, localization effort, which has really helped in gross margin improvement and further savings from the dollar fluctuation. So it is all internal efforts, which has helped us increase the gross margins.

Arvind Arora: Okay. So there was some notification on BSE side where we commented that we will increase like our sales price by 5% in quarter 2. So was that taken out?

Pradeep Mishra: Price increase, you mean to say?

Arvind Arora: Yes, sales price. yes.

Pradeep Mishra: So there was a small price increase, but that was again to offset the cost inflation, which happened. But then that really gets passed on. But the major portion is the localization of critical raw materials that has happened, and that has really getting translated into the bottom line.

Arvind Arora: Okay. And you mentioned also we are planning to import or planning to purchase a machinery so that we can use that raw material since there is a waiver of import duty. So how we are funding this capex, like internal accruals or is there any like fundraise or something like that? What is plan for that?

Pradeep Mishra: For capex?

Arvind Arora: Yes.

Pradeep Mishra: I mean all the manufacturing capex, I think this year, we had invested in CVD machine, which is a coating machine, which gives a high superior and very good coating on our product. So that we had completed this year. And I think next year also, we might do some incremental capex, but that won't be very heavy. We will do it from our internal accruals.

Arvind Arora: Can you please specify the quantum of this capex?

Pradeep Mishra: Say max INR 5 crores to INR 7 crores for next year, manufacturing capex.

Arvind Arora: Then there would be a good ROI, correct, due to this?

Sunil Suresh: Yes, So normally, what we do is initially, we do not put the machinery throughout our journey. We wait for the scale to come. And when we realize the ROI is between 24 and 36 months, then is when we actually backward integrate.

Arvind Arora: And sir, what is our utilization of this manufacturing facilities at Jigani City and Electronic City?

Sunil Suresh: Currently, it's at about 70% utilization.

Arvind Arora: Sir, if our demand increases like as we are saying we want to be like INR 1,000 crores company in next 3 to 4 years. Is there any requirement like there is capex or something like that for manufacturing facility since we are already operating at 70%?

Sunil Suresh: At this point, actually, that is coming from 1 shift basis. We can increase it to almost 2 shifts at least, if not 3. And secondly, if we need to expand, maybe we need to relocate our raw material warehouse and milk the asset much higher. I think we are quite comfortable till at least about INR 800 crores as we see it in today's run rate.

Arvind Arora: Okay. Very nice, sir. So if I put all the facts together, then the operating margin will improve drastically, correct?

Sunil Suresh: Yes, that's the idea. And with the scale, we are also expecting a lot of benefits in terms of cost saving from purchased raw material. And our target remains very clear that we would like to be a INR 1,000 crores company with a 15% PAT in the next 900 to 1,000 days. That's our target.

Arvind Arora: And sir, what is the update on like this China Plus strategy like and is there any benefit due to this budget or government incentive to us?

Sunil Suresh: Sorry, can you repeat that again?

Arvind Arora: Sir, I was asking like there was lots of talk on China Plus strategy. And then you also pointed in the last earnings call that there are lots of talks were going on, like companies discussing with us and then like on B2B business or something like that. So is it like on hold due to this U.S. tariff right now?

Sunil Suresh: No, no. That is a China Plus One or China Plus Two strategy has already started by large importers in U.S. and Europe also technically. And Vietnam, India, Malaysia have been identified for furniture exports. The thing is that while we had already started our negotiations and discussions with William Sonoma Group and other groups from the U.S. because of the uncertainty today due to Trump and the tariff, it is on hold.

Once we get some amount of clarity, we can restart that exercise. Today, we are not very clear. So they have actually put it on hold until there is more clarity on the tariffs that Trump is kind of implementing in the U.S. today.

Arvind Arora: Okay. And you are saying tentative like we will get more clarity in quarter 1 of FY '26, correct?

Sunil Suresh: We are hoping. We are hoping and we should have more clarity. We have already started our first export to Germany. First container is leaving next month in March. So that is the pilots have already started to Europe. But from America, we are still awaiting clarity on the tariff bit.

Arvind Arora: So sir, like if I see at a conservative level also, this U.S. tariff and other things, even if this goes in negative, still we do not have much impact other than this B2B business, right?

Sunil Suresh: You're right. At this point in time, yes, we are expecting some new business coming in because of inventory handovers, which I think has been our main impact throughout this year. We're hoping once the sold inventory comes to market, we will see a better surge in demand for us. There has been a subdued market condition, but I think we have been resilient in managing our business quite well.

Moderator: The next question is from the line of Nitin Gandhi from Inoquest Advisors.

Nitin Gandhi: I have basically 2 questions. How is the response to your recent branding cum sale half page ads appearing of INR 50 lakhs deal. How is it shaping up? And how many customers you are getting inquiries, how are they? If you can share some thoughts on that?

Sunil Suresh: Sure. As a matter of practice, for almost 5 - 7 years now, we normally go on sale twice a year. We have something known as a season sale between September and October, and we have an off-season sale between Feb and March. The September - October season sale was slightly, I would say, subdued. We did not get the desired results.

We have just started our off-season sale, and it's a bit early for us to comment on it, but we feel confident that with the current order book, we started picking up orders later in December, and we started the year with a much better order book compared to last year. And we feel secured for this year number. So that is how we are positioned today. We will be in a better position as the sale campaign goes on for a couple of weeks at least.

Nitin Gandhi: No, I was trying to understand, is it city specifics, where you have the stores and each city-wise, what's the target like 200, 500, 1,000, if you can share those kind of numbers. I was just trying to correlate those data with home registrations for above INR 1 crore or about INR 3 crores depending upon the city, registrations happening and trying to work out some model to, so if you can share some data?

Sunil Suresh: We follow RERA quite diligently. And at this point in time, in terms of our internal workings, we believe that we have the desired expansion in our home market, Bangalore, and we are able to cater to a larger inventory handover in our city. While Mumbai, we still continue to face a challenge in terms of real estate.

We continue our search for real estate, and we are definitely going to increase our footprint in all other cities and do exactly what we have done in Bangalore, have what you call as a hub-and-spoke model and increase our business. So in fact, this year, when you look at it compared to previous year, up till now, our marketing spend has actually reduced compared to last year. But we have a budget and a kitty. We will expand our marketing if needed as we go forward. So that is how we manage our business at this point in time.

Moderator: The next question is from the line of Yug Jhaveri from Molecule Ventures. Please go ahead.

Yug Jhaveri: Just 2 questions. First is, if you can provide a pre-Ind AS EBITDA margin for this quarter also and for full year FY '23 and FY '24, if available?

Pradeep Mishra: Pre-Ind AS EBITDA margin?

Yug Jhaveri: Right. Yes.

Pradeep Mishra: Pre-Ind AS for the quarter is 9.4%.

Yug Jhaveri: For this quarter?

Pradeep Mishra: This quarter, yes.

Yug Jhaveri: 9.4% for this quarter and if available for FY '23 and '24?

Pradeep Mishra: FY '23 full year?

Yug Jhaveri: Yes.

Pradeep Mishra: It is about 13%.

Yug Jhaveri: 13%. And FY '24?

Pradeep Mishra: About 12%.

Yug Jhaveri: Okay. Last question regarding the agreement. So I just wanted to get some clarity on a couple of agreements related to the trademark, which you made. The first agreement was regarding the year 2015 with Stanley Furniture company. I think it is based in U.S. So it restricts the stand-alone use of Stanley name. The official sources doesn't provide much detail on this. So if you could help me understand the background of the deal and with whom you made the agreement, if I'm wrong?

Sunil Suresh: Stanley Furniture, we don't have any challenges. We had challenges with Stanley Tools. So they had restricted us from refraining from using a stand-alone Stanley. So all our 3 brands are Stanley Level Next, Stanley Boutique and Stanley Sofas and More.

Yug Jhaveri: Yes, yes. Right. So that was the whole agreement. So you cannot use stand-alone name, right, in 2015?

Sunil Suresh: No, we cannot use the same tools or whatever they are using. That was the agreement we got into. I think this was about 10 years ago. 10 - 12 years ago. But we can add a name to Stanley in whatever other businesses we are doing and continue with Stanley with adjusted name.

Yug Jhaveri: Okay. Got it. And the second was about the recent 2023 transaction. So where the trademarks and copyright were sold to the company for INR 37.5 crores. So does it include all the trademarks and copyrights, which were held with promoters? And also, there is a provision allowing promoter to register the Stanley name for other businesses, in which not company is involved given a notice period. So it would be really helpful if you could share the thinking behind this clause also.

Pradeep Mishra: Yes. So all the trademark and products that the company is engaged in, in the furniture and living space, those have got transferred to the company. In the personal name, there was some real estate and some other recreation or hospitality venture, and that has got retained by the promoter himself. That does not belong to the company or operations. So that have not got transferred.

Moderator: The next question is from the line of Rahil Shah from Crown Capital.

Rahil Shah: Sir, just one question regarding the EBITDA margins, which are currently at this 19% or so levels. How sustainable are these for the next few quarters? And do you expect any improvement there?

Pradeep Mishra: So see, this has a direct impact on how our company-owned stores perform because the bigger store operating expense and everything is linked to our retail performance. And we've seen quarter 3 onwards a very good turnaround in the retail performance in quarter 3. So we expect there to be a continuation of this growth momentum. While gross margins have expanded, we see that a significant part of this gross margin expansion at a healthy revenue growth should start getting accrued to the EBITDA numbers.

Rahil Shah: Okay. But like overall, any kind of range like you would think you can always be within, in terms of EBITDA margins?

Pradeep Mishra: A more sustained and for all the investments that we are doing and for that to pay off properly, I think the EBITDA margin of somewhere about 20% - 22% is what we should be aiming at. But because new stores are taking a little longer to breakeven and it takes a little longer gestation period, it's a little subdued now. Otherwise, it should really show a much healthy EBITDA numbers.

Rahil Shah: This 20% to 22% will take a while, right, for you to reach a sustainable level?

Pradeep Mishra: Yes, in about 2 quarters or middle of next year.

Sunil Suresh: As the stores, which we have opened start maturing, this equation is going to change, and we are expecting to hit around 20% - 22% by mid of next year.

Moderator: The next question is from the line of Tania from Anand Rathi Institutional Equities.

Tania Lalla: So I had 2 questions. One was if you could give us a revenue contribution among the different store format. So we have the contribution for COCO and FOFO, but if I could get for Stanley Boutique, Sofas, and Level Next?

Sunil Suresh: Yes. So basically the trend has remained 33% for the past couple of years since we started the 3 formats. But Stanley Boutique is the oldest format, which is almost 15 years old, and now we are changing that to a completely new format. The first pilot store started in Lower Parel, Mumbai.

The second one is going through a complete facelift in Bangalore, and that has come down a little bit. We will do the required correction within this year of renovation. Once that is done, our desire is to make sure that all the 3 formats continue to give us an equal what you call as contribution.

Pradeep Mishra: So right now, Level Next, which is our luxury range for 9 months, that is highest share at almost like more than inching close to 50%.

Tanya Lalla: Okay. Understood. And my second question was as I was looking at the revenue breakup among the product categories. So currently, if you see on a 9-month basis, we have beds and mattresses at 4%. So going forward, do we see this increasing? Do you see the contribution increasing or as a stand-alone product or what is the outlook?

Sunil Suresh: We believe that when we look at the international trends and understand what happens in companies like IKEA or other big global players, the tendency is that the living room furniture, which is primarily sofa always contributes roughly around 50%. The rest 50% contribution comes from case goods and bedroom furniture. In our business right now the product mix of bedroom furniture is a bit low. Case goods, we have definitely improved. I think compared to last year, our case good contribution has significantly increased. Yes, that has significantly improved because we set up a new facility and started case goods, which are basically coffee tables, dining tables, dining chair.

It has jumped from 11% to 16%. Bed and bedroom furniture also now we are actually innovating and coming up with a new catalog. We are hoping that, that will also significantly grow. So we constantly keep our eyes on the average ticket size of the customer. That is what we always plan to see how we can increase our selling to the same customer, and that is what gives us the same-store growth also.

Moderator: The next question is from the line of Resha Mehta from GreenEdge Wealth.

Resha Mehta: Just the last one. Because of moving to the cash and carry model in the B2B2C segment, what kind of improvement have we seen in the receivable days?

Pradeep Mishra: Receivable days. So I think for this 1 segment, we had almost INR 3 crores to INR 4 crores of overdues, which has now come down to almost like INR 50 lakhs. In terms of receivable days, I mean, this is overall impact. It is now under control. Everything is under cash and carry. So now it is more like the fresh businesses under cash and carry doesn't have receivables. So I'm just giving you the numbers in absolute amount.

Resha Mehta: Sure. But from a 9-month perspective, at a company level, have we seen any meaningful improvement in the receivable days or not really because this is like a small.

Pradeep Mishra: The overall receivables like cash and carry, my B2C business is cash and carry, so that doesn't have much. And this was, I'm not able to recollect, but it's come down very, very drastically. At a consol basis, we don't have many much of outstanding now.

Resha Mehta: Got it. And lastly, just because of this muted demand environment that we are seeing, are we planning to scale down our marketing spend? Or how are we thinking about our marketing spends going ahead?

Sunil Suresh: We have controlled it. Compared to last year, I think we have reduced our marketing spend as on date. But I don't see us wanting to control it. We will kind of would like to continue, in fact, a bit more aggressively if the market tendencies are sluggish going forward.

Only thing is that we are going to be in a very measured way in areas where we have the desired number of stores, we are going to increase our marketing spend and we have always ensured that our marketing spends are always within 8% to 9%, and that is the trend we will continue to follow. Since we have not spent all our budgeted marketing spend for this year, we have slightly more room to spend in the next couple of months.

Resha Mehta: Got it. So okay. So it will remain in that 8% to 9% range broadly?

Sunil Suresh: Absolutely.

Moderator: The next question is from the line of Arvind Arora from Mahar Minerals.

Arvind Arora: Sir, this is a follow-up. So like what is our cash and bank balance as on 31st December?

Pradeep Mishra: INR 208 crores.

Arvind Arora: INR 208 crores. Okay. And sir, is there any benefit due to this budget or government incentivized scheme or anything?

Sunil Suresh: From the budget perspective, we are excited because the import duty on raw leather, which was basically 25% on crust and 12% on wet blue has been completely taken off. So we are excited that we will be able to access better raw material from Europe and other countries, and we can localize at a cheaper cost in India. That is one thing.

Secondly, we are aware that BIS certification has been implemented on fabrics and boards, which are basically parts of furniture. And the government has assured that they will also have the BIS on fully made furniture, completely built furniture like they have done for footwear and toys. If that comes into play, I think, we will have a much better market condition because 90% of our competition remains imported furniture itself.

Pradeep Mishra: And with budget and tax cuts, maybe the overall demand environment will be more positive and really more favorable. And definitely it will have some trickle effect or some sentimental impact on furniture purchase as well.

Arvind Arora: Okay. Understood. And sir, you mentioned on this INR 208 crores bank balance. So this is like out of this INR 208 crores, INR 150 crores is like from IPO process, and this we are planning to use for this like store expansion, correct?

Pradeep Mishra: Yes.

Arvind Arora: So what is the like onetime cost, sir, for staff, like for store expansion or setting up a store? And how do we like account that? Like it is like we charge to P&L or we like defer that cost?

Pradeep Mishra: Tell me again, which kind of cost?

Arvind Arora: So onetime cost for opening the store?

Pradeep Mishra: So onetime, see, there is an operating expense from the day the store goes live, all the people, store running cost is charged to P&L. Before that what happens is we take a rent-free period as per the agreement we have with the owners. So all the capitalization work happens within the rent-free period at the store. So none of those expenses are charged to P&L.

Sunil Suresh: And the advance remains there in terms of building advance.

Pradeep Mishra: And we will have some employees to train or we would have onboarded a few employees. Those gets charged to P&L as and when we onboard people.

Arvind Arora: So what used to be the cost for this like transition or implementation per se, like training the people or like something like that?

Pradeep Mishra: We've not measured it separately, but annually, we do twice mega events. It comes in marketing and employees expenses, respectively, all included in the existing numbers.

Sunil Suresh: We have kept our marketing spends in single digits throughout between 7% and 9% and all these expenses are booked under marketing expense itself.

Arvind Arora: Understood. And sir, you mentioned like we are like targeting for 15% PAT for next 3 years to 4 years. So this is like the goals, correct? So are we also like since our sales still increase INR 800 crores or INR 1,000 crores, so are we like planning to expand like increase our spend on marketing or something like that?

Sunil Suresh: So the marketing spend is kind of, like I said, pegged at between 7% to 9%, and we don't see ourselves wanting to increase it a lot more unless and until the situations change a lot and it is a subdued market where we have the opportunity to expand it at the cost of our GP.

But we have continuously been very measured and calculated and kept it below 10% throughout our journey. And I don't see us really required to increase too much beyond this at this point in time. In fact, this year also, we consumed a little lower than last year.

Arvind Arora: So this time, we like strategically reduced this or it is like we are seeing some downturn in industry or something like that?

Sunil Suresh: It is basically due to nonavailability. We had budgeted that we'll advertise in certain new markets because the stores were actually delayed there, we have not consumed that budget.

Arvind Arora: Okay. And sir, lastly, sir, like on the store expansion part where like I can see like more than 75% revenue comes from South India. So are we like planning to do this cluster approach only? Or like is there any shift or this is based on purely R&D when you feel comfortable, then we'll go beyond like South India part?

Sunil Suresh: So at this point in time, we are more comfortable to expand a little more in cluster-wise. We are more or less 80% - 85% completed in our home market. Next expansion is coming up majorly in Hyderabad. Chennai also, we are more or less coming to 70% of expansion completion.

Mumbai, due to nonavailability of suitable real estate, our hands are tied. We are constantly trying for suitable real estate. We would like to expand more in Mumbai. And then finally, Delhi. So we are going, Pune is another city we have taken over now, and there we are expanding.

This year already, we started with our mega store and next year, we are planning to open 3 more stores. So wherever opportunities and we see good sales of premium and luxury housing, which we diligently follow from RERA, and we understand when the handouts are coming for these properties, those cities are where we focus.

We remain a bit opportunistic because also in terms of getting the right real estate is something that is the biggest challenge for our business. So we are not committed to continuously grow in 1 city. If the real estate is not viable or not suitable, we try to have the flexibility of expanding in other cities. So that is how we have demonstrated our success in the past 8, 10 years, and we continue to do the same going forward.

Arvind Arora: And sir, last question, like there was a news like from DLF as to selling 1 like flat approx of INR 180 crores or something like that. So is it like something like we are also getting inquiry from that like flat owners or something like that?

Pradeep Mishra: We didn't hear you, Arvind. Can you please repeat this question?

Arvind Arora: Okay. So I was asking, there was a news like for DLF, there was huge luxury apartment was being sold. So are we getting inquiry from that side also?

Sunil Suresh: See, I want you to very importantly understand that from the time the apartments are sold to the handover is between 24 month to 48 month period. So for us, the customers come to us when the handover is about to start. So we are very excited because when you look at the last 36 months period, there is a huge amount of inventory that has been sold. And in various stages going forward, they are going to come for a handover. So from a sale date to furniture date is almost 24 months to 36 months.

Arvind Arora: But then since we are in luxury...

Sunil Suresh: To answer to you, yes, there are a lot of customers from DLF Camellias and other big buildings in Delhi. But then the entire project is not fully handed over. There's a new project also that has fully been sold that will come to the market, hopefully, in the next 12 months to 24 months.

Arvind Arora: Okay. And sir, what is our order take time like by when we receive the order and we will fulfill the order to customer?

Sunil Suresh: Yes. Normally, it is 4 to 8 weeks, depending on the type of furniture people order, we take minimum is 4 weeks and maximum is 8 weeks.

Arvind Arora: So this is customization one you are saying?

Sunil Suresh: Correct.

Moderator: Thank you. As that was the last question for the day. I now hand the conference over to the management for closing comments. Over to you, sir.

Sunil Suresh: Thank you all for taking the time to join us today and for your continued interest in Stanley Lifestyles Limited. As we continue to navigate opportunities ahead, we remain committed to delivering consistent growth and value in the coming quarters. As always, if you have any further questions, please feel free to reach out to our Investor Relations Advisors, Churchgate Partners, and we'll be happy to address all your queries. Thank you. Thank you once again.

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

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.

2. Figures have been rounded off for convenience and ease of reference.