February 15, 2025

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NSE Scrip Symbol: CANTABIL and Series: EQ

Fax No.: 022-26598237/38

Sub: Transcript of Investor Conference Call dated 11.02.2025

Dear Sir/Madam,

With reference to the captioned subject, we hereby enclose the transcript of Investor Conference Call held on February 11, 2025 at 16:00 Hrs (IST).

You are requested to take the same on record.

Thanking you,
Yours faithfully,
For Cantabil Retail India Limited

POONAM CHAHAL

Digitally signed by POONAM CHAHAL
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(Poonam Chahal)
Company Secretary & Compliance Officer
FCS No. 9872

"Cantabil Retail India Limited

Q3 & 9M FY'25 Earnings Conference Call"

February 11, 2025

MANAGEMENT: **MR. VIJAY BANSAL – CHAIRMAN AND MANAGING DIRECTOR – CANTABIL RETAIL INDIA LIMITED**
MR. DEEPAK BANSAL – WHOLE-TIME DIRECTOR – CANTABIL RETAIL INDIA LIMITED
MR. BASANT GOYAL -- WHOLE-TIME DIRECTOR – CANTABIL RETAIL INDIA LIMITED
MR. SHIVENDRA NIGAM – CHIEF FINANCIAL OFFICER – CANTABIL RETAIL INDIA LIMITED
MRS. POONAM CHAHAL – COMPANY SECRETARY
MARATHON CAPITAL – INVESTOR RELATION ADVISOR – CANTABIL RETAIL INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Cantabil Retail India Limited Q3 and 9 Months FY '25 Earnings Conference Call hosted by Marathon Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes.

Before we begin, there's a brief disclaimer. The presentation which Cantabil Retail India Limited has uploaded on the Stock Exchange and their website, including the discussions during this call, contains or may contain certain forward-looking statements concerning Cantabil Retail India Limited business prospects and profitability, which are subject to several risks and uncertainties and the actual results could materially differ from those in such forward-looking statements. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

With this, I now hand the conference over to Mr. Vijay Bansal, CMD Cantabil Retail India Limited. Thank you, and over to you, sir.

Vijay Bansal: Good evening, everyone. On behalf of Cantabil Retail India Limited, I welcome everyone to the Quarter 3 and 9 Months FY '25 Earnings Conference Call of the company.

Joining me on this call is Mr. Deepak Bansal, Whole-Time Director; Mr. Basant Goyal, Whole-Time Director; Mr. Shivendra Nigam, CFO; Ms. Poonam Chahal, CS; and Marathon Capital, our Investor Relations advisers. I hope everyone had an opportunity to look at our results. The presentation and result release have been uploaded on the Stock Exchanges and our company website.

We are pleased to report a historic quarterly performance for Q3 FY '25, setting various benchmarks. The record SSG of 17.7% achieved during the quarter reflects the robustness of our brand. The achievement of a historical high in quarterly revenue and PAT, despite a challenging market environment is a testament of our customer centric approach and its potential for sustained growth and market leadership.

The government's strategy to boost consumer demand through direct tax cuts, rate cuts by RBI is anticipated to produce desirable results and overall revival in consumer sentiment is expected to benefit companies in the retail sector. We are committed to capitalize on these emerging opportunities and solidifying our position as a leader in the fashion apparel sector.

Let me conclude by reiterating our key focus area, improving SSG, increasing retail presence, improving efficiencies. I now hand over the call to Mr. Shivendra Nigam for giving update on the financial and operational performance for the quarter. Thank you.

Shivendra Nigam: Thank you, sir, and a warm welcome to everyone. Coming to the financials, stand-alone performance highlights for Q3 FY '25. Revenue from operations, for Q3, revenue for financial year Q3 FY '25 grew by 28% to INR223 crores as compared to INR174.5 crores in Q3 FY '24. EBITDA for Q3 FY '25 grew by 28% to INR72.5 crores as compared to INR53.9 crores in Q3 FY '24. EBITDA margin for Q3 FY '25 stood at 32.5% as compared to 30.9% in Q3 FY '24.

PAT for quarter 3 FY '25 grew by 43% to INR34.4 crores as compared to INR24.1 crores in Q3 FY '24. PAT margins for Q3 FY '25 stood at 15.4% as compared to 13.8% in Q3 FY '24. Stand-alone performance highlights for 9 months FY '25. Revenue from operations for 9 months FY '25 grew by 19% to INR502 crores as compared to INR421.3 crores in 9 months FY '24.

EBITDA for 9 months FY '25 grew by 24% to INR146.4 crores as compared to INR117.9 crores in 9 months FY '24. EBITDA margin for 9 months FY '25 stood at 23.2% as compared to 28% in 9 months FY '24. PAT for 9 months FY '25 grew by 19% to INR52.3 crores as compared to INR43.9 crores in 9 months FY '24. PAT margin for 9 months FY '25 stood at 10.4% as compared to 10.4% in 9 months FY '24.

On the expansion front, the company accelerated its store expansion strategy by opening 43 stores net during 9 months FY '24. The company operates as of 31st of December 576 retail exclusive outlets, out of which 443 stores are company-owned and 133 are franchisee stores. The retail area around 7.4 lakh square feet as on 31st December 2024.

We will now begin the question-and-answer session. Thank you.

Moderator: The first question is from the line of Arnav Sakhuja.

Arnav Sakhuja: So I just wanted to ask, so are we still on track to achieve the earlier growth forecast that we've forecasted to FY '25? Or have there been any revisions to this?

Deepak Bansal: Sir, your voice is not clear. Can you please be a little loud, please? Hello?

Arnav Sakhuja: Am I audible now?

Deepak Bansal: Question was not clear, actually.

Arnav Sakhuja: Am I audible now?

Deepak Bansal: Yes, a little bit. Yes.

Arnav Sakhuja: So my question was that are we still on track to achieve the growth guidance that we've spoken about in previous calls? Or have there been any revisions to this?

Deepak Bansal: What I understood is overall, there is any revision on the quarter or annual target. What the question is?

Arnav Sakhuja: Yes, yes. That's the question.

Deepak Bansal: So yes, there is no revision in the annual targets. So the outstanding number of Q3 reflects our points. And overall, the growth what we predicted earlier as far as last year concerned, about 18% to 20%, that has been there in terms of overall revenue targets.

Arnav Sakhuja: Okay. And so just one more question. So of the 20 new stores that we've opened this quarter, are some of these specifically ladies and kids stores? Or is it, what is the mix of that, are some menswear stores?

Deepak Bansal: We have opened like 2 ladies and kids store in there. So in the total, we opened 26 stores. So 6 were the closures, and net open 20 stores. So -- but I'm thinking about the 26 stores we opened. So in these 26 stores, 7 are the men's stores, men's and ladies are the 10 stores, ladies and kids are the 2 stores, 6 are the family stores and 1 is exclusive ladies store.

Moderator: Next question is from the line of Rajesh Sharma from Anand Rathi.

Rajesh Sharma: Congrats on a good set of numbers.

Moderator: Rajesh, can you speak a little louder please?

Rajesh Sharma: Yes. Am I audible now?

Shivendra Nigam: Yes.

Moderator: Slightly better.

Rajesh Sharma: So I just have 2 questions. So for Q3, our EBITDA margins were 32.5% and for the 9 months, we had a 29.2% margin, whereas 26.4% was there in FY '24. And can we consider that we will be able to achieve our earlier EBITDA margins, which was within the range of 29% to 30%, which we used to achieve in FY '22 and around '23?

Shivendra Nigam: Yes. So absolutely, as we say, we are perfectly hopeful what the numbers have been achieved in FY '23, that is 30% of the EBITDA margin, last year, slightly dip was there. But very confident probably this year, we will be near to that EBITDA margin, which will be 28% to 30%.

Rajesh Sharma: Okay. And how are we seeing the current season, Q4 and the revenue guidance for the next 2 years?

Deepak Bansal: So our Q3 number for SSG was 17% and our SSG for the 3 quarters come to be around 6.4% now. And we hope to maintain the same kind of SSG in the Q4. So we will be closing this year with around 5% to 6% SSG for the whole year. So demand side is good in the Q4 also, and we will be closing with the numbers we have expected.

Rajesh Sharma: Okay. That's all from my side, sorry, last question. How many store additions are we considering this year in this Q4?

Deepak Bansal: So Q4, we are planning that new store addition will be something like 28, 29 stores. So in the whole year, we expect to be like doing some 70 to 72 new stores, net new stores.

Moderator: Next question is from the line of Bhargav from Ambit Asset Management.

Bhargav: Congratulations for a great set of numbers. Sir, my first question is that what is the inventory days as on December now?

Deepak Bansal: Which days Bhargav ji? Sorry, inventory days?

Bhargav: Inventory?

Shivendra Nigam: Yes, yes. So overall, my inventory as on the balance sheet date, FG is INR250 crores to be precise, INR249 crores because this inventory is slightly on a higher side due to winter. So overall inventory days as of now is approximately 120 days, but overall target is same. I'm very sure we are closing approximately 115 days by the end of the financial year.

Bhargav: Are you talking about December, sir?

Shivendra Nigam: Yes, the absolute figure is of December of course.

Bhargav: Ok INR 250 crores?

Shivendra Nigam: Yes, because ticket size high know, where all winter inventory of December is piled up, but overall 115 days is the target, and we are very sure we are closing approximately that number only.

Bhargav: And where do we expect to end this in March due to inventory level?

Shivendra Nigam: Sorry, March?

Bhargav: March '25 any guidance on the inventory

Shivendra Nigam: Sir, 115 days to be precise our year end inventory will be, that's the target. You can say, 18% to 20% growth you can say probably INR249 crores FG as of now, we are traveling. It would be reduced approximately INR15 crores to INR20 crores by the end of the financial year, would be approximately 115 days of my overall annual target.

Bhargav: And is it possible to share what has been the operating cash flow post working capital in 9 months?

Shivendra Nigam: My operating cash flow for the 9 months?

Bhargav: Yes. December?

Shivendra Nigam: The operating cash flow or free cash flow?

Bhargav: Whatever is ready, sir. I'm okay with it.

Shivendra Nigam: We can take it separately, Bhargav ji. However, my operating cash flow for the 9 months is still on a better than EBITDA, which is approximately INR90 crores-plus from the operations only.

Bhargav: And this is post working capital, right?

Shivendra Nigam: After netting off the working capital, including Ind AS number. I'm giving you the numbers what we have been presented.

Bhargav: And in terms of number of stores doing more than INR1 crores, is it possible to share what is the number?

Shivendra Nigam: Right now, Bhargav ji, it's not ready made, but the earlier guidance was same. However, I can take it separately with you.

Moderator: Next question is from the line of Darshil Jhaveri from Crown Capital Partners.

Darshil Jhaveri: Congratulations on a great set of results, sir. Sir, just I was hoping that if we could give a guidance for how the next 2 years will pan out for us, sir?

Shivendra Nigam: So overall, we are targeting to have a same-store sales growth always been important. So we are very sure we are delivering the 5%, 6%, what the earlier guidance is there. There is no change in the budget, no change in the guidance. Going forward, same 15%, 18%, 19% of the total growth with 6% to 7%, 5% approximately on the same-store sales growth. The same guidance overall team is working on the same guidance.

Darshil Jhaveri: Okay. So 18%, 20% for like overall revenue for the upcoming few years?

Shivendra Nigam: Yes, correct.

Darshil Jhaveri: Yes. Okay. And in that, we'll be able to maintain our EBITDA margin, sir?

Shivendra Nigam: Should be better off, just as the earlier question is asked. We have set our benchmark as the highest one for the FY '23. So this year, probably we are closing that. And definitely, we are going to maintain that margins.

Darshil Jhaveri: Okay. Okay. That's helpful, sir. And sir, just wanted to know currently, like how do you see the industry currently panning out, are there any lower demand or anything on ground you go? Anything you could see that changing or some shift is happening that you could tell us, sir? Or how is the consumer sentiment on the ground?

Deepak Bansal: Consumer sentiments are good. In Q3 also, we noticed the consumer sentiments were upbound. So in Q4 also, we are hopeful that the numbers will be as per the guidance and as per the expectations. And winter season also going well. Wedding season also going well. There are a number of weddings this quarter. So numbers will be as per the expectations in Q4.

Moderator: Next question is from the line of Aditya Sen from RoboCapital.

Aditya Sen: Sir, how many stores are we planning to open in the next 2 years?

Deepak Bansal: So we are planning to open 75 new stores every year. So if we combine the 2 years, so we will be planning to open 150 new stores.

Moderator: Next question is from the line of Varun Thakkar from FYERS Asset Management.

Varun Thakkar: Sir, I just had a question about the store economics. You have just opened about 26 new stores this quarter. I wanted to know what are the peak revenue numbers that you are looking to achieve from these stores? And what is the usual payback period for such stores?

Shivendra Nigam: Correct. So considering the investment what we are making in the new stores because earlier we are now opening slightly bigger stores. So the number for the 9 months for opening the store size is approximately 700 plus, 726 exactly. 1,700, sorry, 1,700 plus. So I'll keep it 1,700 plus and my capex cost is coming approximately INR1,700 to INR1,800 per square feet.

And at the same time, we have approximately INR2,200 to INR2,400 of the investment in my inventory. So broadly, overall, approximately INR4,500 approximately, we are investing in opening COCO store. And considering the maturity of that stores because my second year approximately INR120 lakhs is my average revenue for the store, which in the bigger store is slightly more. So that has been coming in the second year, you can say maturity. So on these basis of competition, approximately 2 to 2.5 years is the payback period, average payback period for the stores.

Varun Thakkar: Is it the same for the franchisee-owned stores?

Shivendra Nigam: Franchisee-owned stores is not much opening now because companies sizes are bigger. So we are mostly opening the company-owned stores. So on a net basis, only 2 stores have been opened in the franchisees. So franchisee viability is slightly on a push -- they are -- as per our calculation, getting the payback period approximately 3 to 3.5 years.

Varun Thakkar: All right. And just wanted a guidance about the overall operating margins. Do you think this high base is achievable? Or are we going to be looking at a 25% to 26% on a long-term basis?

Shivendra Nigam: So as I just said our benchmark has been set, and we are targeting those numbers only. So going forward, my gross margin is to be maintained. This quarter, if you have seen, we have delivered better gross margin by 1%. So when we are maintaining approximately 56% to 57% of the gross margin, we'll come back to 28% to 30% of the EBITDA margin and 10% to 11% of the PAT margin. And these are the numbers, sustainable long-term numbers. It should be better off. But for next 2 financial year, we are being targeting those numbers.

Moderator: Next question is from the line of Neel Shah, individual investor.

Neel Shah: Congratulations on good set of numbers. Just a follow-up question to an answer which you just gave. Any particular recalibration or strategy leading to this margin expansion on the gross margin front or EBITDA margin?

Shivendra Nigam: Nothing like this, we are mostly as a company who are working on the basics and KPIs. So there is no change this month. So these are the margins slightly because the cost is fixed in nature. The more we are getting the better same-store sales growth, EBITDA margin is definitely going to improve, which we are reflecting in our results as well. So overall guidance it says, there is no much changes in the margins and the strategy as well.

Neel Shah: What I meant was also on the gross margin, if you rightly mentioned about 100 bps expansion. Was it on account of any composition changes in merchandise or anything specifically? Or was it only this quarter specific?

Shivendra Nigam: So if you have seen, there is a slight percentage increase in our ASP, which is probably there's a slight correction of the prices. So basically, those are the reasons, 60% to 61%, only 1% So broadly, these are the numbers which is going to be maintained.

Neel Shah: And sir, sorry, at the cost of repetition, just reconfirming what is the new store targets which you're planning to open in FY '26?

Shivendra Nigam: FY '26. So this year, as of now, we are opening approximately 75 stores, 70 to 75 stores this financial year. Going forward, 70 between 70 to 80 stores is the target.

Neel Shah: And this all will be COCO driven predominantly?

Shivendra Nigam: Majorly, it would be COCO driven.

Neel Shah: And indicative relative capex would be how much broadly?

Shivendra Nigam: So as I just said, approximately 1,700 square feet is my area going forward as well, which is having approximately INR1,700 to INR1,800 per square feet of the capex. So on this basis, if you say approximately INR20 crores in terms of store expansion capex going forward.

Moderator: Next follow-up question is from the line of Rajesh Sharma from Anand Rathi.

Rajesh Sharma: So I have a couple of questions. So I wanted to ask what would be your revenue category-wise, men, women, kids and accessories?

Deepak Bansal: So my men's category revenue is 81%. Ladies category is 12%. Kids and accessory both are 4%.

Rajesh Sharma: Okay. And so in the South India, we have our presence is almost negligible. And do we have any further plans of increasing our footprint over there?

Deepak Bansal: Not in the near future, if not right in the next year. But next to next year, we are planning to go to South India.

Rajesh Sharma: Okay. And sir, regarding the new stores that we are opening, what would be the average store size?

Deepak Bansal: Average store size is 1,700 square feet plus.

Rajesh Sharma: Okay. And would we be also looking at opening larger stores, more than 2,000 square feet, something like that?

Deepak Bansal: So we are opening larger stores also. So some stores are below 1,700 and some are above 1,700. So the stores which are above 1,700 are naturally in the range of 2,000 to 2,500 square feet.

Rajesh Sharma: Okay. And sir, the last question. So how would be financing the opening of these new stores? Would there be any spike in borrowings? Or would we have sufficient internal accruals for this?

Deepak Bansal: We have sufficient internal accruals. So we are not planning to take any debt for funding the expansion. It can be easily funded through the internal accruals.

Moderator: Next question is from the line of Palash from Nuvama Wealth.

Palash: Sir, you mentioned about opening the large-sized stores. So would all the stores that you would be opening are large size now or there would be smaller sized stores also?

Deepak Bansal: Smaller-sized stores are also there. So average store size is 1,700 square feet. And a company average is 1,276 square feet is company average, but the new store average is 1,700 square feet, which we are opening. So this is a mixed stores, the new stores which are coming, they are smaller in size also, but predominantly are bigger in size.

Palash: Okay. And sir, a lot of value retail players have been growing very aggressively and posting very strong number. So like would you consider them as your competition or it's a totally different category for you? What are your thoughts on this?

Deepak Bansal: It's a totally different category because ASP of the value brand is around INR500, and we are working on the average selling price of INR1,100. So our ASP is almost double what those people are selling. So we consider to be into the mid-premium segment and the brands which have an ASP of INR500 are in the value segment. So customer profile, customer targeting is different.

Palash: So sir, like who do you consider your competition?

Deepak Bansal: Competition, if you consider the direct competition, then it's like Peter England brand is there, who has a very similar kind of the ASP.

Palash: And sir, like do you track the data about how they are growing? Or are you gaining any market share? If you could throw some light on this, like how the competitors are growing and how we are growing?

Deepak Bansal: Market share is easily trackable in the FMCG industry. But in the garment industry, the market share is not easily trackable because there is unorganized sector also. So it's tough to say about the market share.

Moderator: Next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand, do we have plans to open some new stores or new brands like INR1,100, INR1,200 value kind of segment going forward? Or are we planning to stick with Cantabil right now?

Shivendra Nigam: Sir, the brand Cantabil established in 2000, it is in 2025, it is brand Cantabil, it is going forward only brand Cantabil. As Deepakji said, we are operating in a particular ASP. So, there we are not opening any value kind of competition, nothing like that. It is only Cantabil was, is and will stay.

Madhur Rathi: Okay. So what I wanted to understand was right now, our stores are performing very well. But like sooner or later, you see some kind of brand fatigue in the clothing kind of segment where some of our competitors have faced it as well. So sir, I wanted to understand going forward, are we trying to at least protect our turf as well as create something new, which will extend our brand presence and competitive advantage going forward. So I wanted to understand on that front?

Shivendra Nigam: Okay. So once again, so as I just explained, there is a segment, right? We are positioning ourselves as a mid-premium segment. There is a mid-segment, value segment, as Deepakji said, there is a segment of having INR400 to INR500 of ASP then there is another segment which are having INR2,000, INR2,500 plus segment. Now the largest segment what we are serving is INR1,200 ASP, which has been allowed.

So we are there. We have a INR45 lakh plus of the customer database to whom we are serving. So this is quite the largest and which we are serving. So we are in the same way, same operation, mix can be there in terms of current fashion, other factors. But overall, the ASP what we have been operating, that would have been there, right?

And as the competition side, as Deepak just mentioned, there is difficult because Cantabil is such a brand. Now any brand if you take, one may be very good in the formal, few brands is very good in the segment. Within one roof, hardly you will find in any brand who will be serving such huge range in terms of whether it's a formal, whether it's a casual. So we are operating in our segment, and this is a mid-premium segment where we are operating. And going forward also, the same segment will be maintained.

Madhur Rathi: Sorry, I wanted to understand on the mid-premium segment only. Do we plan to do some expansion brands or something else for that front?

Deepak Bansal: No, we are not planning to acquire new brands. We will be going with our own brand.

Moderator: Next question is from the line of Lovish from Banyan Capital Advisors.

Lovish: Congratulations on the great set of numbers. My first question is regarding the SSG that we have reported. What is the reason behind such a drastic improvement? Because earlier, we were lagging and now it's a sudden movement. And then we are also forecasting that it will settle down around at 5%, 6%. So what's the reason behind why it's increased drastically in 3Q?

Deepak Bansal: Major reason is the wedding dates. There were a large number of wedding days this time as compared to the last year. And in summer time also, there were not much wedding. So there was the accumulation of the weddings in the Q3. And so there was a great uptick in the demand. So this is the major reason for the growth - same-store sales growth. Simultaneously, we have made good changes in our new collection also. So new collection picked up very well this time. And these two reasons combined made the good SSG.

Lovish: Got it. But we expect the SSG to come down. So why are we expecting this because if there is a sudden improvement, so can it sustain at these high levels? Or will it come down to around 4%, 5%?

Deepak Bansal: So our yearly SSG now is 6.4%. So we expect the same kind of number between 5% to 6% would be yearly figure.

Lovish: Got it. My second question is that you mentioned that you closed 6 stores in 3Q. Now if I remember correctly, you had closed only 4 stores in FY '24. So what's the reason behind the increase in store closures this quarter?

Shivendra Nigam: So earlier, when we are talking about 4 number, that year also, it was 8 closures, 4 were relocations and 4 were the closure. So out of this total number, 7 total till now 12 stores approximately has been closed, 7 was recloser and 6 was relocation and 6 was the closure. The net closure, if I'll say for 9 months is 6 closures.

Moderator: Next question is from the line of Arpan Rathore from Inside Advisory.

Arpan Rathore: Congratulations on a very good set of number. I have a couple of follow-up questions from what some others have already asked. First is, you mentioned that the men's segment would be around 81% and balance is ladies, kids and accessories. So there seems to be a huge opportunity to expand on ladies and kids wear and especially when kids wear segment and ladies wear segment, there are no credible brands available. So what is our strategy towards capitalizing on that gap and capture that market share by giving a credible Cantabil, kid's section or a Cantabil women's section. Any strategy or any thoughts towards that? That was my first question.

Deepak Bansal: So right now, we are opening around the store size of 1,700 square feet, and the company's average store size is 1,276 square feet. So larger stores have a collection of kids and ladies with them. And we are also opening ladies and kids exclusive stores. So we have right now around 50 ladies and kids exclusive stores.

So the ladies and kids exclusive store, we also plan to open around 15 to 18 stores every year. So definitely, the contribution of the ladies and the kids category is going to increase in future because we are opening bigger stores, family stores and the ladies and kids exclusive stores as well.

Arpan Rathore: So incrementally, we can assume that there would be a gradual shift, say, maybe 2%, 3% more towards kids and ladies year-on-year basis?

Deepak Bansal: Yes, you're right.

Arpan Rathore: Okay. Second question was on inventory provisioning. So what is our policy towards slow-moving inventory? Do we take a routine quarterly provision? How does it work?

Shivendra Nigam: So sir. We are having a policy of provisioning a strong policy, there are 3 kinds of category of them merchandise. Number one, what we are keeping is a fresh store. So 1.5 year is broadly 1 year and 1.5 years because we are almost keeping 2 seasons as well at the store. So 1.5 year is there in the store, 1.5 years to 3 years and more than 3 years, right?

Then we have a super factory outlet. So we are making 100% provisioning for super factory outlet or any defective or something kind of material is there, clear policy. Then anything above which is hardly 3%, 4%, 50% more than 3 years, we are making the provisioning. And 1.5 to 3 years, we started making a provisioning of 10%. So up to 1.5 years, no provisioning 1.5 to 3 years, 10% provisioning, more than 3 years, 50% provisioning, super factory outlet, 100% provision.

Arpan Rathore: Okay. Another question is on considering we come under the discounted model, our stores are always, there is a discount which is offered. And alongside there is this end of season sale, which this time around, it started a little early or the announcement started a little early. So it started from Q3 and it's currently going on plus we have competition from the likes of, say, V-Mart, V2, Bazaar, Style Baazar and all. So will it have an impact in, say, for quarter 4?

Shivendra Nigam: Considering the prices of the V2, V-Mart and the value formats, we are not into the competition with them because our ASP is around INR1,100 and then their ASP is quite less compared to us. And the USS period starts in December only. And by January only the discount percentage tend to increase because we have this Lohri and the Republic Day festivals that time.

So discounting and bundle offers are the same what we were offering last year. And this year also the same kind of offers are there. So that's why gross margins are maintained. And so similar things we plan to go in the next year as well.

Arpan Rathore: Okay. And my last question is more to do with manufacturing capacity. Two questions to that. Are we planning to add new capacities? And secondly, because of the Bangladesh crisis wherein the manufacturing has been impacted, especially garments, do we see any opportunity in terms of export considering that we have our own manufacturing facilities? And similar question then are we planning to open up stores overseas, neighboring countries?

Management: So as far as manufacturing is concerned, we have a state-of-the-art manufacturing plant in our Bahadurgarh, which has a capacity of producing 15 lakh garment, right? And through our own fabricator, like our own manufacturing, we are supplying 60% of our requirement through own factory as well as fabrication, and balance 40% is obviously FOB side, right? So my existing factory of 15 lakhs can go up to 18 lakhs.

So there is no plan of establishing another factory. However, through job work, these supplies is to be filled. So overall, going forward also, 60% of my supplies is to be maintained by factory as well as my fabricator and 40% FOB from Ludhiana and accessory is to be there. So this is the plan as of now and going forward will be maintained.

As far as Bangladesh manufacturing is concerned, we have not been emphasizing much on this as of now. Our requirement is being done indigenous only. And yes, as far as expansion front, we have 2 stores in Nepal as well. So going forward, any of the good opportunity, we are going to explore.

Moderator: Next question is from the line of Shrinjana Mittal from RatnaTraya Capital.

Shrinjana Mittal: Congrats on the great set of numbers. I just have one question. So you mentioned that the because of higher number of wedding dates also, the same-store sales growth was a little bit on the higher side. So I just wanted to understand what portion of our business gets impacted? I'm guessing it's the suits part of the segment, right? So as a percentage of sales, what would be that portion which gets impacted due to higher wedding dates?

Deepak Bansal: So suit, blazer and waistcoat constitute 15% of the total sales. But there is uptick in demand in shirts also during the wedding season because that make only combo with the blazers and the suits and the waistcoat. So at the gross level, you can say 20% of the revenue is directly linked to the wedding wear.

Moderator: Next question is from the line of Varun from Omkara Capital.

Varun: Sir, just wanted to check, you gave the store split number, right? So I'm sorry if I didn't get it right. We opened 20 stores in this quarter, right? So can you give me the split of what were menswear, womenswear and family stores?

Shivendra Nigam: So out of this 20 is a net number, out of 26 because 3 has been relocated and 3 has been closed, as I just said. So 26 bifurcation men's store was 7, men's and ladies was 10. Ladies and kids was exclusive 2 and the family stores was 6, you can say. So this was the bifurcation.

Varun: Okay. And how are we seeing this trending going forward? In the last 9 months, how have we done?

Shivendra Nigam: Sorry, your question can you please come back to the question again?

Varun: In the 9 months, we've opened 43 stores, right? So what has been the split there?

Shivendra Nigam: Out of total stores opened in 9 months, right?

Varun: Yes.

Shivendra Nigam: Yes. So you can write 17 stores were the men's stores. And 20 was the ladies and men's stores. And the balance were ladies and kids, you can take ladies and kids stores are 9, and the balance are the family stores.

Varun: Okay. Got it. All right. And we will see the split changing going forward?

Shivendra Nigam: The same thing we told. So overall, we are opening the bigger stores, but where the good property is smaller, like if you say Maharashtra, there is not a much bigger size available. The men's store mainly we are opening. And overall target is to maintain slightly on a bigger stores, plus exclusive ladies and Kids stores.

Varun: All right. And when we look at these stores, is there any kind of cost that we incur?

Shivendra Nigam: Which one, sorry?

Varun: We've relocated some stores, right? So is there a cost that we incur on relocated?

Shivendra Nigam: Yes. What is the relocation mean? Since we are having 9 years of lease period, now we have 600 stores. So every month, a couple of stores to be renewed. So if we are getting any better opportunity in the nearby stores, we close that store and open in the nearby. So that is being considered as a relocation.

Varun: Okay. So that has accounted for the...

Shivendra Nigam: So capex is required. Yes, capex is required in the relocation stores as well, mostly.

Varun: Okay. So is that accounted for when you say we'll be doing around INR40 crores, INR45 crores of capex in the next 2 years?

Shivendra Nigam: Sorry, come back capex in relocated stores?

Varun: Yes, yes. Is that accounted for in the instant capex target that we have?

Shivendra Nigam: Because my old stores has been closed and nearby we are relocating the store. It's a new store. It's a new store been treated. So everything is new.

Varun: Okay. Go it. So this is accounted for, right?

Shivendra Nigam: Everything is accounted. Everything. capex, inventory everything is accounted for, yes.

Moderator: Next follow-up question is from the line of Lovish from Banyan Capital Advisors.

Lovish: Just continuing on the SSG topic. I mean your peers in the apparel retail space have reported much lower numbers. So I mean, just wanted to understand what are we doing differently to report such high number?

Deepak Bansal: So it's majorly about the wedding wear season. So we had a good collection this time for the wedding wear category. And our store locations are also very prime what we opened last year, we opened this year. So these new stores have contributed really well for like SSG that we opened last year. And as I told combination of the wedding dates and our new collection clicked very well. So that's why we are able to achieve good SSG.

Lovish: Just to confirm, what was the number that you mentioned that constitute a revenue from the wedding season?

Deepak Bansal: So 15% of our revenue come from the suit, blazer and the waistcoat category, but shirts demand also used to increase because any person buying suit or the blazer have to buy shirt along with it. So around 20%, we think that wedding wear category contributes to the total sales.

Lovish: So this is for the full fiscal year or for 3Q only?

Deepak Bansal: This is for the full fiscal.

Lovish: And in 3Q, how much would it be, if you could just give a rough sense?

Deepak Bansal: Q3, it will be much higher. If a specific number you want, we can e-mail you.

Lovish: Sure. Okay. And just one last thing. The stores that you mentioned that you had closed, were these men's exclusive stores and then you relocated into ladies stores or family stores? And just give a sense of which stores were closed, which are the new stores that you relocated and...

Deepak Bansal: This is a mix of like mix of stores. So family stores are not into the much closer. Family stores are not in closer. Majorly men's or the men's and ladies stores have got closed.

Lovish: And then those store closures are now leading to more family stores. Is that right?

Deepak Bansal: Yes, where we are closing, we try to open a bigger store in that locality. So yes, family stores are getting bigger in number.

Moderator: Next question is from the line of Arpan Rathore from Inside Advisory.

Arpan Rathore: Just wanted to understand what was the price hike taken during the quarter or during the year?

Shivendra Nigam: So if you can see our average price hike for the 9 months, my average ASP has been increased by 1.5% average ASP for the 9 months, right? We have given in the presentation as well. So this is the price. However, my Q3 ASP was slightly on a higher side. So overall, 2% to 3% is the price impact this year on an average basis.

Arpan Rathore: Okay. And just a few bookkeeping numbers. What was the inventory debtors and creditors?

Shivendra Nigam: So if I talk about annual inventory debtor and creditor number and just coming to the inventory...

Arpan Rathore: 9 months number. What was that as of 30th September, 30 December 31st December.

Shivendra Nigam: 31st of December, yes. 31st of December number, my overall FG inventory was INR249 crores. However, including my investment in raw material, it is INR286 crores is my inventory number. However, my trade receivable is INR24 crores and my creditor side is INR63 crores. These are the exact balance sheet numbers.

Arpan Rathore: Okay. Any scope you see in terms of reduction of inventory?

Shivendra Nigam: Yes. As I just told, this is the highest value inventory because of my winter season. Overall, I'm expecting to come it down to 115 days, maybe plus/minus 1 or 2 days. So it should have been come down from 249 to 230 in terms of FG. My debtors, it should be maintained at this level. It is not going to increase basically because of e-commerce realization and some B2B, these numbers are there.

Otherwise, my trade receivables are not much higher. And my creditors should be not much going to increase because mostly we are operating maximum as MSME vendors who are paid on time within 45 days. So it should reduce or to be maintained at this level.

Arpan Rathore: And last question, how much was the online sales for 9 months?

Shivendra Nigam: My online sales for the 9 months is approximately INR33 crores.

Moderator: Next question is from the line of Neel Shah, individual investor.

Neel Shah: So just a couple of follow-up questions. You mentioned about the performance in Q3 was predominantly on account of in-season. Just wanted to check how was the performance of the winterwear because you were saying winterwear inventory was also there contributing to higher inventory. So how was the overall sales performance in the winterwear category for Q3?

Deepak Bansal: So winterwear performed well in the Q3 time because there was a good onset of the winter. And as I mentioned, there was a great demand in the Q3. So winterwear also picked up very well in that time.

Neel Shah: Okay. And a follow-up question to the capex question, which I asked earlier. Obviously, INR40 crores, INR45 crores, you mentioned about the store capex. In between, you're also talking about some capex on the corporate front, which was the corporate office. So where has that reached? And what is the balance capex on that front?

Shivendra Nigam: So my total CWIP as on date, if we include, the total CWIP is approximately INR35 crores, which is majorly being captured by this new warehousing come office, right? It is going to be finished by next 6 to 8 months, which is required additional capex of INR15 crores, right? The overall project will be closed I think somewhere in between June, July or maybe August. INR15 crores more capex has been required. Land has already been capitalized in balance sheet. And this is what the going forward capex is required for my new plant , new project.

Neel Shah: So basically, INR45 crores on the store front plus INR15 crores additional for the...

Shivendra Nigam: Not INR45 crores, it is inclusive of this. My store front is required approximately INR20 crores.

Neel Shah: Okay. And the targeted related thing is targeted ROE for the coming year then, basically?

Shivendra Nigam: Same we are coming back to those numbers. So in terms of ROE, probably expected 24% to 25% and ROCE should end up with 36%, 38%.

Moderator: Thank you very much. As there are no further questions, I will now hand the conference over to Mr. Deepak for closing comments.

Deepak Bansal: I would like to once again thank you all for joining us on this call today. We hope we have been able to answer your queries. Please feel free to reach out to our CFO or IR team for any clarification or feedback. Thank you all.

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

Deepak Bansal: Thank you. Thanks a lot.

Moderator: Thank you, sir.