SHOPPERS STOP

SEC/21/2021-22 June 12, 2021

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001. **Stock Code : 532638**	National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051. **Stock Symbol : SHOPERSTOP**

Dear Sir/Madam,

Sub: Earnings Conference Call

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company had filled its letter ref. no. SEC/20/2021-22 dated June 4, 2021, in respect of the analyst / investors conference call on Tuesday**, June 8, 2021.**

In respect of the same and as required under Regulation 46, we are pleased to submit herewith the transcript of the earnings conference call so held on June 8, 2021. The same is simultaneously being made available on the website of the Company.

Kindly take the same on records.

Thank you.

Yours faithfully,
For **Shoppers Stop Limited**

Vijay Kumar Gupta

Digitally signed by Vijay Kumar Gupta
Date: 2021.06.12 23:20:14 +05'30'

Vijay Kumar Gupta
Head Legal, Company Secretary & Compliance Officer

Encl: aa

SHOPPERS STOP

Shoppers Stop Limited Call with Sunidhi Securities

June 8, 2021

Binoy: I along with our director Mr. Jayesh Parikh, met Mr. Venu & Karuna in January.

Jai Prakash: OK, at our office itself.

Binoy: Yes, those were the days when Bombay was a bit open and took this opportunity to go and have meeting at your office.

Jai Prakash: where is your office?

Binoy: We are in Santa Cruz.

Jai Prakash: working from home, right now

Binoy: Oh yeah, like now work from home.

Jai Prakash: and you are put up in which part of the city?

Binoy: I stay in walkeshwar

Jai Prakash: OK, thank you.

Binoy: What about you?

Jai Prakash: So like you know I am put up in Malad itself. My residences also in Malad and office is also in Malad. so, I like it's quite convenient. I would say though in traffic like normal day, you know nowadays traffic is quite huge. It takes good 20~25 minutes from Malad to Malad.

Binoy: But I would say you are among the lucky few who stay in and around your office.

Jai Prakash: Absolutely, you won't believe I have been with group for last 15 years now. So earlier I was in the grocery retailing business Hyper City and for last three years I'm with shoppers and one of the key reason I'm stick with the group is It's quite convenient like you know in Bombay, traveling etc. it matters a lot in terms of you know if your office is closed by it's a big bonus, yeah.

Binoy: Yeah, that is fine.

Jai Prakash: So what we'll do then, I think Karuna is stuck in an another call. He should be joining anytime, probably in next 5-7 minutes he should be joining, so we'll start and then probably Karuna joins in because again he got a hard stop at 5 and we also got another call at 5, so we'll try to cover maximum things in next 40 odd minutes.

Binoy: Yeah, sure, so first I have two queries on this Q4 and FY21 result. Should we take that first? Because you know there will be like One line queries, you know .

Jai Prakash: Absolutely yeah.

Binoy: So on the call I you know I, I confirmed that this capex was about 82 Crores and this 82 crores in FY21 capex I got from the cash flow statement which got published, but on the call Karuna said that now the capex was 57 cross. There is difference in my understanding.

Jai Prakash: This 82 crore from where you got? from the cash flow statement.

Binoy: Yeah, that's from

Jai Prakash: because that includes even the security deposits etc. Also So what happens whenever we open a new store like you know we pay a security deposit, which is if you see the market practice it is equivalent to six months of rentals, so in our cash flow we don't separately bifurcate the actual capex and deposit etc. So if you see the pure Capex Binoy it was 57 crores.

Binoy: So which means over 25 crores of security deposit.

Jai Prakash: I will have to check I'll. what I'll do. I'll jot down this query and I'll share the breakup separately on email. Is that fine?

Binoy: Sure, that would be very helpful.

Jai Prakash: Because I'm sure some other items is also included

Binoy: And within the 57 crores that we say, how much would be Omni channel? How much would be IT system then? How many stores did we add this year?

Jai Prakash: So we added one store in Lucknow in Phoenix Market City. It's a very prestige and I would say very large mall so that one department store we have added other than most of the Capex was because we rolled out ASAP in the month of June last year So it was primarily into tech building. The tech and Omni channel capabilities. So large chunk of the Capex was towards that. We normally don't share the break up, but broadly I can tell you that about 1/4th has been towards the new stores and large portion was towards sort of, you know the tech and Omni capabilities.

Binoy: So you said 1/4th, meaning 1/4th of 57 crores, right?

Jai Prakash: Yes

Binoy: So new store which is only one store no

Jai Prakash: Yes, yeah once more and then we can check in probably one or two beauty stores. The small stores that we have added, Yeah, but largely it is one store of which I'm talking about.

Jai Prakash: So other than, in fact you know, normally we don't share, but because you know it's a closed group so about 1/4th was towards new stores, another 1/4th was towards the stores renovations. So what has happened in FY20 like you know we took few of the stores renovations which we could not complete. So like you know we have started the work It was I would say half way done. So we've updated those two renovations in FY21.

Binoy: And how many stores would we be have refurbished in FY21?

Jai Prakash: The count will be about 3-4, so you can say about four stores.

Binoy: OK, and the remaining would be on IT and Omni channel.

Jai Prakash: Absolutely yes. Overall number is so small ,57 crores is a small number which is, you know, for a high Capex intensive industry like retail lot of money goes towards building these tools right?

Binoy: Right, right? No that's fine. I was just trying to understand where is the gap in my understanding.

Jai Prakash: Yes, that as I said again, it's a small gap or we'll clarify on the email separately because I know I do remember that some amount of the deposits is there, Like you know we have signed few new properties. OK the stores may come in say next year or probably 2 years down the line, but as in when we sign the agreement some portion of the deposits are sort of paid. So I will have the exact details on email to you.

Binoy: And you said how much time does it take from zeroing on to a locality where you want to open the store to finally cutting the ribbon for those of this one.

Jai Prakash: Anywhere between six months to four years. So, for example we signed one property in Trivandrum. It is from LuLu mall and we are fairly confident that the developer is financially very strong. You know carries huge experience in building the malls etc. and we signed at very initial stage because you know it would have delayed then likelihood is right now either we may You know would have not got the space and those kind of complications are there, so in those cases you know the we sign it very at early stage so what happens in those cases, the entire mall or the large part of the mall is built. After designed the property so the building of model itself can take, like you know, 2 years to 21/2 years and then we take about three to six months in building. So normally I would say anywhere between six months to three years is the is the time frame.

Binoy: OK, so basically you get associated. Sorry just to check my voice is clear and audible because it's raining very heavily out here and

Jai Prakash: No, in this side of the city it is like very bright. It was it was raining in the morning. But now it is clear.

Binoy: OK, it's raining like crazy out here.

Jai Prakash: So there's the benefit when you are put up in walkeshwar

Binoy: Yeah, so OK. So basically what so as you explained what I understand is that you get associated with the developer right from the mall development state and then as you develop the mall.

Jai Prakash: So for example, like you know, I'll give another example, so we signed another property in, say, in smaller town of Rajasthan. For example, Tier II city. I can take the name of the city also like us made. OK, now there the mall is almost ready. We'll get the possession in 3-4 months will take another three months' time and fit out of that store and in six months' time, seven months' time store will be up and running. So how it goes there to know wherever the developers are small or sort of you know.

Then we don't take much of the risk. You know we don't sign like in two years or three years in advance, but if it is from the Prestige. Sorry, Phoenix is coming up with another mall in Indore for example, that mall will take another like you know, say 18 months. Whatever, anywhere between 15 to 18 months. But we are fairly confident that no considering these are large group and like no they are running many other malls in the country. So in those cases we sign well in the box.

Binoy: Fair enough, and how many stores we closed in FY21?

Jai Prakash: FY21

Rohit: 22 stores we closed.

Jai Prakash: But that is including crossword, right?

Rohit: Yes, 13 stores of crossword.

Jai Prakash: Yes, so largely, if you see only 2 department stores we have closed, airport stores. One was in Jaipur airport and second was in Mangalore Airport's & both the stores were very small. Then we have shut down 1 store in chembur.

Binoy: This is the shoppers stop, right?

Binoy: So in total you said about 22 stones were closed, of this 13 were crossword and remaining 9 were shoppers stop.

Jai Prakash: Yes, so including beauty. So if you see only 1 Shoppers stop. Because you know the other 2 stores. Also, though we call it department store, but the size was just 2000 and half 1000 sq ft. these were Airport stores So if you see the proper department store it was only Chembur that we shut down.

Binoy: OK, so just a small clarification in FY20. We had about 89 department stores i.e. shoppers stop stores, right?

Jai Prakash: Yes

Binoy: And now we are at 84. Means we have added 1. So actually it should be about 85. Or is it so we would have closed about 5 stores last year.

Jai Prakash: You're saying in FY20; our exit number was 89.

Binoy: 89 Yes, it should be and I took it from the annual report.

Jai Prakash: The number what I am seeing, Yes, so basically you're right. So when we're seeing, for reporting purpose, because these even the Jaipur & Mangalore airport also those were also categorized under, though the small size was low, those were also categorized under department store, so these were the 3 doors. And at FY21, beginning 84. well, other than Chembur. We are on the verge of closing 2 or 3 stores now like you know as we speak but we will not shut down other Shoppers or other stores, probably some reclassification in terms of you know

Binoy: And how many beauty? So beauty store is essentially those Mac, Clinique , Arcelia that falls in the bracket.

Jai Prakash: So Mac, Clinique, Bobbi Brown, Estee Lauder, the brand Estee Lauder, EL What we call it

Binoy: In this smash box right?

Jai Prakash: and Smashbox right, so these are the beauty brands that we operate, exclusively.

Binoy: So how many Beauty stores we closed in FY21.

Jai Prakash: Including this one, if I see if I exclude crossword, so it was about the 6 stores

Binoy: Six beauty stores

Jai Prakash: Yes

Binoy: OK, OK, and so how many beauty stores will we have as on 31st March? And these are s standalone stores I'm talking about.

Jai Prakash: Yes, these are so. When we're seeing beauty, those we don't club, the shop in shop stores which are part of department stores that is anyway covered in the department store counts so we don't double count. So these are standalone stores.

Jai Prakash: Yes, so as of now we got 127 of beauty doors.

Binoy: And how many these are completely? These are not all standalone stores. I think there is an element of Shop in shop here.

Jai Prakash: Right, is it fine if we share the proper table, the department stores, the opening, closing, the new stores

Binoy: Yes, that's good.

Jai Prakash: The final balance, the closing balance, and similarly beauty, standalone and crossword so that in one go all these queries will be addressed.

Binoy: Yeah, so you'll be mailing this right? Yeah, OK.

Rohit: Yes

Binoy: So this second question was on cost savings. We did about 433 crores of cost savings. Is my understanding correct that 173-174 crores came from renting?

Jai Prakash: we don't share the exact numbers. Sort of, you know

Binoy: I mean this is from the financial statements only. I'm giving you the number, so my understanding is correct on the ground.

Jai Prakash: Yes, that's correct.

Binoy: It correct, OK, fair enough, yeah. So essentially I'm just trying to interpret the number in a better manner that. and others which means non rental was about 260 crores. Of this non rental, we've been saying that 200 crores will be sustainable saving going forward and 60 crores may come back as the sales pick up .

Jai Prakash: So this is the broad range. Now whether the 200 can become 210 or can become 190. So broadly, like we made it through, because, you know, most of these savings are permanent in nature means. So for example, be it manpower or be it admin, operating cost, etc.

Binoy: Yes, ballpark figure.

Jai Prakash: Hi Karuna.

Karunakaran: Hey, Hi Binoy, I mean I was in another meeting. I'm sorry.

Binoy: Hi, Karuna

Binoy: You're working extremely, are you working from office.

Karunakaran: Yes, But we've been working for the last one week right now, from last month's

Binoy: OK so I was touching upon the cost savings that you said that about 200 crores will be sustainable going forward And I just wanted to understand which are the kind of heads just from a qualitative perspective. What are the heads under which we've got these savings and related to this question , Was this 200 crores of savings that is sustainable? Will it not even not come back? I mean this is net of the Investment that we plan to do under Omni channel and marketing that we spoke on the con call.

Karunakaran: Yes, sorry. One second hey, this meeting is getting recorded. I mean we are recording or they recording?

Jai Prakash: We're recording. So there was ask from Vijay. So Vijay from our team.

Karunakaran: OK. Binoy this 200 Crores including some amount of marketing also to that.

Binoy: So now this is not net of marketing and everything right?

Karunakaran: What is also, I mean, can you just explain what do you mean by that?

Binoy: So we said that 200 crores of cost savings will be sustainable going forward, right? Even if the sales.

Karunakaran: No, no, I didn't say that I will remember what I said. 200 crores on a like to like basis should be possible, but the total cost will be partly offset by some inclusion investments in, particularly in marketing, which we were planning to do.

Binoy: OK, fair enough and which are the line items wherein we've got these the non-rental savings, which I mean just from a qualitative perspective.

Karunakaran: Sorry from the cognitive point of view, the employment cost would be the higher and the operating expenses. This is the same what we said during the call. Also these two will be the the single largest.

Binoy: Employee and Store operating expenses OK, but this operation is essentially store level

Karunakaran: Yeah, predominantly store level and something in there SO also, head office also.

Binoy: OK and what we're saying is, so how much would it essentially fall to the bottom line after considering the increased investments that we need to make on marketing

Karunakaran: That dynamic Binoy, like there is no way we can confirm right now, right? I mean, that also depends upon how the market is at that time. The sales. What is the increase investment that will happen? It's pretty, It's quite early to talk about that, right? See on the fixed investments I can tell you how much we can save, but on the variable investment it completely done.

Binoy: Is there any range that we could work with? Know that you're looking at?

Karunakaran: It would be reasonable one. It will not be significantly higher. It will be a relatively smaller number, but to quantify that it will be a bit difficult Binoy, because right now I'm in a period where the sales are. I mean we are impacted by COVID and once the COVID goes and once the stores open We have the access right? I mean how do we get the customers both online and offline? What will be the customer acquisition cost in online and we have to take some strategic calls and it also depends upon whatever other calls we take, particularly. It depends on that, it’s little bit early to talk about right now. Yeah, nothing gets replaced . I mean we are in a place where sales are just not there, right?

Binoy: No, fair enough, fair enough I understand OK

Jai Prakash: And also this is also dependent on what sort of response we get against our investment, say in only for example So if the response is overwhelming and if the business do sort of know scale up, then the investment may be higher.

Binoy: OK, now when we talk of the employee cost, I see there has been a reduction in the head count So now at a store level. This to understand this a bit better. Are we working with lesser number of employees per store?

Karunakaran: Yeah, that's right.

Binoy: And going forward, even if the sales pick up, we will continue with the same structure of X number of employees per store, right?

Karunakaran: By and large again, then, it would be a bit difficult for us to commit. What will happen now we have from now, but by and large we should be able to do with the same number of employees what we have, right?

Binoy: OK, no I'm not asking on whether the headcount number as an aggregate will go up or not I'm just trying to understand the metrics that we have drawn. We as of now working with lower number of employees that metrics will continue going forward.

Karunakaran: Yeah, for the foreseeable future. Yeah.

Binoy: Our store addition plans that we've said about 20 stores. 10 odd will be shoppers stop and 10 will be beauty stores just to understand a bit more on this, do have this visibility so I can understand depending on COVID we may look to postpone the openings but in terms of the properties, we have the visibility for the properties?

Jai Prakash: Yeah, yeah, so these are signed and sealed properties. Binoy and like you know at different stages So like you may find that you know either mall is 80 % or 90% completed, we may get hand over anytime in the Q2 of this financial year and we'll take another 3 months -4 months' time for fit out. So depending upon the mall could be like 95% ready or 70% ready. This is that only we have come up with this guidance.

Binoy: OK, OK, and our Capex is about 180 crores. Is it possible to give split between the new store additions or any ballpark Capex per sq. ft.? Maybe you can help me with, you know, just to understand how much of the Capex will go behind new Store additions. How much will be behind maintenance Capex and IT systems and etc.

Jai Prakash: I would say broadly, above 50-60% will go towards news stores, 60% plus and the balance will be towards the renovations and all other maintenance spent and if we see, though, we don't sort of, you know, reveal the Capex per square feet numbers so, but the overall Capex per square feet is going to be much lower than the previous years because the amount of work that has gone into building the internal efficiencies, the process reengineering, and you know the better sourcing we are going to see a lower capex per square ft going forward.

Binoy: OK, not possible to quantify any numbers.

Jai Prakash: Yeah

Binoy: So 80 to 100 crore ballpark total aggregate is the number that we are looking at right?

Jai Prakash: Yeah, as of now, this's the number. Yeah, if you see the situation improves rapidly, this number may increase one of the 10-20 crores and vice versa.

Binoy: Fair enough, OK .Do we plan to take any stores for refurbishment or anything like that?

Jai Prakash: Yeah, yeah we plan to renovate another 3-4 stores In this financial year.

Binoy: 3-4 shoppers stop right.

Jai Prakash: Yeah

Binoy: OK, now in the restructuring plan. We've also looked at the store size is there within the existing stores? Are we comfortable with the staff size or there will be a bit of rationalization because our older stores are typically larger in size, right. About 40 odd thousand square feet and going forward, he said on the concall that we would be looking at about 20-30 thousand square feet as the area.So I can, uh, so two parts to this question is new stores just to confirm it will be on this newer 20- 30 thousand square feet size and the and second part of this question, the older store do we see any rationalization on the retail area there

Jai Prakash: We plans to rationalize. Again, one or two stores the area. Yeah, probably 2 stores in this financial year. We plan to take over even surrender sort of one floor you know significant area from this too. And you know we will attempt to improve the profitability significantly for these two stores.

Binoy: Yeah and on the part of going forward these store additions will be about 20-30 thousand.

Jai Prakash: Yeah, yeah, so that is what sort of know is the range we plan to sign properties here.

Binoy: So when we talk of this 10-12 stores also all of them are on the new format.

Jai Prakash: Yeah, yeah, all of these are on new format.

Binoy: Fair enough, so the another part of the result was the current assets. The other current assets have increased by about 60 crores in FY21 to 226 Crores, what is the entry related to because that increase has essentially you know led to the increase in the working capital, nothing else.

Karunakaran: Hey, this is primarily due to DTA

Binoy: Sorry

Karunakaran: This is primarily due to DTA. Deferred taxes Because once you make the loss, I have to create a deferred tax asset, right

Binoy: OK, you know Karuna my last question was only to understand the shoppers stop the store economics. How would it work for a us or we've done lot of we've taken a lot of actions, we rationalized cost with Manpower, Store opex. We've rationalized the area going forward, we look to open on a slightly smaller size stores, so just to understand from a unit economics perspective, how would the throughput work. You know we are, very much focused on private label. There is a focus on beauty. So all this put together, how would it translate into gross margins? You can just share your thoughts on.

Karunakaran: The gross margin should improve by marginally. I don't think much about it. Probably 100 to 200 basis points only in the new storm, not on the. Private label. That’s one, Second, I mean like if the footfall is close to 70% to 80% of a normal footfall what we saw in 19-20. The store should be profitable at the end of the first year, am I right JP?

Jai Prakash: Yeah, yeah absolutely.

Binoy: EBITDA breakeven.

Karunakaran: Yeah, because there is no other cost like. I mean, it's only the depreciation.

Karunakaran: We include all the cost in EBITDA except the SO cost when you say SO, the head office cost.

Binoy: So, EBITDA break even by the end of first year OK and Capex and inventory. So I also say you know we have rationalized inventory a lot, and that rationalization has been on bought out inventory and the consignment both so I can understand, you know, that consignment going down it will also result in decrease in debtors and therefore the net effect on working capital will not be that much but now are we actually looking at so earlier we were operating on roughly about 2800 or 2700 odd rupees per square foot inventory bought out plus consignment, put together. Now we are operating at roughly about 1800, which is a very sharp reduction. I just wanted to understand your thoughts on you know whether this is sustainable or once sales pick up the per square foot inventory will also go up.

Jai Prakash: So we know a lot of work has gone into stores planogram you know, the fixtures mapping on the shop floor area. Capacity measurement for individual fixture etc and also the back end inventory within stores. We got small back end even that Inventory is also rationalized, so I would say largely it should be sustainable with the sale scaling up in the festive season and end of season sale etc. We may see spurt by 10-15%. Otherwise, largely it should be sustainable because this is completely. I would say with lot of detailing being worked out, basis that this number inventory reduction is achieved.

Binoy: So could you talk a bit more about detailing just to understand what has gone behind it? How are we managing supply chain? Because this is like you, this part inventory by roughly about 40%.

Jai Prakash: Yeah, so as I said, like you know, for each of the brand, the capacities are sort of predefined. Now, seeing that now in Malad store. So for example Levis as a brand like you know at any point of time we are going to display 800 units for example OK and this out of these intended units, these 100 units will be sitting on a nesting table, 500 units will be sitting on a wall fixture, another 200 units will be sitting on a hanging fixture and accordingly for each of the brand and at each of the store the capacities have been sort of in a predefined and these are fed into the ERP and accordingly the reordering take place here.

Binoy: Oh, OK. This would be the way earlier also; we won't be operating right where we had pre-defined that so much would be on the nesting tables so much.

Jai Prakash: Earlier it was brand level. Now the further planning had started at even more granular level you know.

Binoy: OK, in this process and obviously in line with our strategic goal to improve the private label share higher mean take it higher in this process. Have we also started giving more retail area to our private labels?

Jai Prakash: So again, it is 2 points, so one we would like to improve the productivity from the current allocated areas. OK, because you know this itself is a task. To bring the productivity equivalent to the class in brands and on case to case basis and for example Kids as a category wherein there is no, renowned brand in the market. You will not find a single brand which is exceeding 100 Crore will be top line in such a vast country. So there you know, we've been expanding the space, you know, we are sort of not reducing the branded space and merging in the private brand category. But again, it is case to case basis and not generally for all the categories.

Binoy: And is it possible so on from a pricing perspective? You know this will touch upon this point that we've spoken on the Concall that now we are looking at not sell through and kind of fast sell through. right. So from a pricing perspective, we are also working on a sharper pricing. You've taken pricing down on the private label. How does the pricing both with the branded labels? Do we have the say in pricing in the MRP? Or they have the entire saying that.

Karunakaran: Hey Binoy, I think before JP response, we have not reduced the prices of the private brand. Our some of the new product that has been launched under the private brand category the entry prices were high otherwise we have not reduced.

Binoy: Right, yeah

Karunakaran: As you rightly said, there is a demarche, so we have an agreed margin with the buyer. So the brand would determine what will be the consumer, what will be the price to the consumer.

Jai Prakash: You know how it goes that know brand will show all the options that they've got as part of their range. We know our customer profile and the entire selection happens. You know, by our team built so it is up to us. You know what price point we plan to select out of the overall brand range. However, whether can we have any say on Brands fixes in MRP, I would say no or largely like you know the brands will determine the product MRP at their own discretion. But yeah, it is up to us which all products from the overall range we plan to procure from individual brand.

Binoy: And you know, in case certain products are moving in a bit slow because and I'm hopping on this point, especially because now we started moving to monthly sale and monthly purchase. Kind of, you know, pass sell through. So do we have the liberty to keep the pricing, give offer discounts everything or that liberty?

Jai Prakash: And so in 99.9% instances or, you know, with 99% brands we have arrangement of stock correction with brand. So whatever lines or which all lines which are not moving fast we do, we can return it back and in turn we get the price points or the styles which are moving fast and on top of that Now, brands are also monitoring the Sales on daily basis. If any of the styles are not moving proactively, they also do come back. You know, with the offers and it's an ongoing process, you know where in our team. Also, do share feedback you know with the brand that know in these doors these styles are not performing well and something needs to be happening to propel the sales, so it’s sort of an ongoing process.

Binoy: OK, just to understand there has been no change in this setup. There has been no change pre and post COVID it works in the same manner.

Jai Prakash: Yeah, know same manner, same area.

Binoy: Understood. OK how would be what would be our store level inflation, typically on an annualized basis general.

Jai Prakash: Last few years I would say it was minuscule but in normal course if you see the longer period the inflation will be in the range of 6 to 7%, but only 6-8%. If I see the last 10 years’ average.

Karunakaran: So there are two large expenses, right? One is rental which is 5 or 6 percentage average and the companies implement. These are the two large expenses in the store, so the rest of the expenses are very very miniscule.

Binoy: OK, so typically should I consider about 6 odds %

Jai Prakash: Yeah.

Binoy: And at least store level employees. Do we have any buffer, typically with regards to the minimum wages or that, are you know, prescribed by the state governments? Do we maintain a buffer, meaning we pay higher wages to them than the minimum wage?

Karunakaran: Yeah we do. We do. We do in most of the cases or business would be either equal to or because that's mandatory we can't.

Binoy: No, no I I'm saying uh, not paying equal to minimum wage, but I'm saying instead we are actually paying higher than minimum wage is maybe 5.

Karunakaran: If the minimum wage is sorry, sorry, go ahead, you go ahead you.

Jai Prakash: Yeah, that's what can I say that know, that in most of the instances you'll find that our salaries are slightly higher than the minimum wage it is. It is not. We're just not meeting the minimum wage criteria only and also what happens in long run. Even the individual employee’s performance. Also, you know, plays the role. So if the resources there on board for quite some time anyway. Like you know the growth keep happening on annual basis.

Binoy: Right typically what would be this buffer vis a vis the minimum wages?

Jai Prakash: Varies from state to state. So in states like Delhi, very.

Karunakaran: Uh, we don't go into all those. Details that I ask because it's about then what happens?

Binoy: OK, OK.

Binoy: Now my last question was on the rental. We worked a lot on the rental part this year we would have. I'm sure you would have restructured most of the rental agreements not only to the extent of rental waivers or concessions, but actually literally restructuring the agreements. Going forward Karuna, can you tell me something more on this? Whether it's become more variable now?

Binoy: How does it work though? I mean, how does it work going ahead whether you know there is a step up increase in the rental percentage? As sales pick up just to compensate for this COVID period to compensate the landlords for the COVID period.

Karunakaran: OK, let me tell you this. I mean the agreement are of reasonably longer period. There are 100% variable and there are semi variable where we want to agree the number we have to pay a sort of a slightly higher amount as a year end bonuse and there are completely fixed.

Karunakaran: These attributes are agreed that will that will be there during the program. We have renegotiated the rentals of some of them.

Binoy: Sorry, I'm unable to get your voice Karuna. I'm unable to get.

Karunakaran: can, you hear me.

Jai Prakash: Yeah, yeah you are audible.

Binoy: Yeah, now I can, yes.

Karunakaran: No, all I'm saying is. There are three or four type of lease controls, right 100% variable. There is will be a fixed amount and once we achieve a particular sale amount we have to pay something like that variable which is slightly higher. I mean sort of Year end bonus or something like that and there are 100% fixed are also currently and there are some agreements where we say that though they are fix but there will be minimum guarantee but at the same time it will become a variable once we achieve particular sales. So there are number of models, probably JP Can, I mean JP has done this double doctorate or so?

Karunakaran: Keep it aside for the purpose of COVID, we are renegotiating this year also. We did renegotiate at last year. We are negotiating this year I mean tomorrow next year if it's a normal you will not get any concession. It's essentially second because. They also have a backup liability. Most of them are bothered that they have to pay, so this concession is only for the COVID. We are also aware and they are also aware. You get that little bit.

Binoy: No, exactly my point was I'm trying to understand these restructuring that we've done and not only from the rental waiver or not only from the rental concession perspective. I'm just trying to understand whether now at an aggregate or company as a whole. Have the rental agreements become more variable in nature or has it become maybe more fixed in nature but maybe a lower?

Karunakaran: Were you talking about the new agreements Binoy!

Binoy: New meaning that for the new store.

Karunakaran: I don't understand. See there are existing agreements. Existing elements remains as it is. I mean there is nothing is changing in the existing agreement I mean we have got some concession last year and some this year. So and next year if everything become normal You have to pay the normal.

Binoy: But the agreements as such haven't moved to a variable model completely. Nothing like that, just trying to understand that that.

Karunakaran: No, no, no, it is not. Yeah.

Binoy: And typically these agreements will be for how many years?

Karunakaran: Depends. There will be anywhere between 10 to 25 years.

Binoy: 10 to 21 year and within 15% kind of an escalation every three years.

Karunakaran: Again depends there are some will be less than that. Some with an average of 5% per annum.

Jai Prakash: We got another call in just 4 minutes. We can like you know, probably one last question.

Binoy: No, my last question is on the depreciation Karuna, which I think, you know I kind of highlighted this on the concall as well. That depreciation is come down to what. Yeah, you said that it's going to come down to about 30 to 35 odd crores per quarter.

Binoy: Just to take the example of Trent and reason, I'm taking the example of Trent is just as a yardstick, you know we've got similar retail, ballpark, similar retail area. We are slightly higher than maybe slightly higher than Trent. We've got slightly higher Gross block than Trent.

Karunakaran: Which one? Which one? Sorry?

Binoy: Then that is yeah, West side.

Karunakaran: OK, you mean Westside Trent

Binoy: Westside, Yes, that's right. So when I look at the numbers, the depreciation numbers of the two.

Karunakaran: Right now, because we have done enough, Trent has 500 crores of buildings and land, I don't have that much for land and buildings. For Land & Building there is no depreciation.

Binoy: So I find a 2X kind of depreciation for shopper's stop, while the grass block.

Karunakaran: That's right, because their assets include almost 496 crores. I mean 400 odd crores on building and that some 30 odd crores on land on land there is no depreciation on building the depreciation Is 1.6% per annum, whereas my depreciations are anywhere between 10 to 15% per annum. So that's the only difference. I mean, we have done enough research here that there. I mean I can send you the document. I can ask Rohit to send you the top one.

Karunakaran: In fact, our depreciation, if you factor all those things, our depreciation is much lower than Trent. I can tell you.

Jai Prakash: So for like for like assets Binoy, it's exactly in the same range

Jai Prakash: So for example, if you compare fixtures versus fixtures at that level, it's entirely because they got one building in that completes Like you know some land parcel is also there, so these are making the difference

Binoy: So then you know the reason is there is a starting so this year and I am talking of only the core depreciation. The core depreciation was one 161-170 odd crore.

Karunakaran: Yeah, well, what would the question? What I can do is like I have. I've already done that there I can ask somebody to send it across.

Jai Prakash: So anyway, like you know, we plan to share one or two more information to Binoy on email, including the store count. We wanted to have a Store opening added closer and the closing balance. So along with that you know we'll share even this information also.

Karunakaran: Yeah, I think he has given a hard copy, has not given the soft copy. OK JP, if you have just share it with him immediately.

Jai Prakash: Yeah, yeah. From Rohit's ID you'll get this information.

Binoy: OK, so going forward Karuna. What is the steady state depreciation and in Q4? Well depreciation was lower. Was there any one of which is not captured in Q4?

Karunakaran: Nothing, depreciation will happen normal.

Karunakaran: The depreciation I have to provide and how can there be one off depreciation?

Binoy: Many I know. I mean, one of in the sense that you know in the earlier 3/4 we've depreciated by a higher amount and therefore the quarter four depreciation looks from.

Karunakaran: Some, probably some block off as it should have gone back, and that's the only thing I can think of. Other than that, you have to provide the deprecation.

Binoy: OK, so you would say annualized appreciation is about. I mean, quarterly depreciation rate is about 35 odd crores per quarter?

Karunakaran: Slightly lower than expected.

Binoy: On the current obviously, and this is, you're saying on the current retail base as you add stores the depreciation will grow naturally.

Karunakaran: Yeah.

Binoy: Oh OK great OK Thanks Karuna.

Karunakaran: Thanks, thanks. OK, thank you so much, thanks.

***