SEC/76/2022-23 October 28, 2022

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**

Sub: Transcript of Earnings Conference Call – Q2 FY23

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company had filed letters ref. no. SEC/65/2022-23 dated October 12, 2022 in respect of the analyst / investors conference call and ref. no. SEC/75/2022-23 dated October 20, 2022 in respect of Audio Recording of analyst / investors conference call, on **Thursday, October 20, 2022 at 11:00 a.m IST** to discuss the corporate performance for the quarter and half year ended September 30, 2022.

In respect of the same and as required under Regulation 46, we are pleased to submit herewith the transcript of the earnings conference call held on October 20, 2022. 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: 2022.10.28 14:56:45 +05'30'

Vijay Kumar Gupta
Vice President- Legal, CS & Compliance Officer
ACS No: 14545

Encl: aa

SHOPPERS STOP

"Shoppers Stop Limited Q2 FY2023
Earnings Conference Call"

October 20, 2022

SHOPPERS STOP

Perfect Relations
The Science of Image Management

CHORUS CALL

ANALYST: **MS. MAMTA SAMAT - PERFECT RELATIONS PVT. LTD.**

MANAGEMENT: **MR. VENU NAIR – CUSTOMER CARE ASSOCIATE, MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - SHOPPERS STOP LIMITED**
MR. KARUNAKARAN MOHANASUNDARAM – CUSTOMER CARE ASSOCIATE, CHIEF FINANCIAL OFFICER - SHOPPERS STOP LIMITED
MR. JAIPRAKASH MAHESHWARI – CUSTOMER CARE ASSOCIATE, VICE PRESIDENT FINANCE AND ACCOUNTS - SHOPPERS STOP LIMITED

Moderator: Good morning ladies and gentlemen, and welcome to the Q2 FY2023 Analyst Conference Call of Shoppers Stop Limited. 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 opening remarks by the management. Should you need assistance during the conference call please signal an operator by pressing "* then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Mamta Samat. Thank you and over to you Ms. Samat!

Mamta Samat: Thank you Michelle. Good morning and thank you for joining us on the Shoppers Stop Q2 FY2023 Earnings Conference Call. Today we have with us the senior management represented by Mr. Venu Nair, Customer Care Associate – Managing Director & Chief Executive Officer; Mr. Karunakaran Mohanasundaram, Customer Care Associate – Chief Financial Officer and Mr. Jaiprakash Maheshwari, Customer Care Associate – Vice President Finance & Accounts. We will begin the call with the opening remarks from the management after which we will have the forum open for the interactive Q&A session. I must remind you that the discussion in today's earnings call may include certain forward looking statements and must be viewed therefore in conjunction with the risk that the company faces. Please restrict your questions to the quarter and yearly performance and to strategic questions only. Housekeeping questions can be dealt separately with the IR team. I would now request Mr. Venu Nair for the opening remarks. Over to you Sir.

Venu Nair: Thank you Michelle and Mamta both and good morning friends. Thanks for joining us today to discuss the Shoppers Stop financial results for the second quarter of the Financial Year 2023. Along with me I have my colleague Karuna – our CFO and Jaiprakash - who heads our FP&A. I am delighted to share that we achieved a highest ever Sales, EBITDA and PAT for Q2 in the history of Shoppers Stop. All the KPIs have improved significantly and I will share these with you over the next few minutes. Before I start in detail, can I just remind you that we have shared our Q2 and first half results in the investor deck and the press release and I am sure you would have had a chance to go through the same.

Let me now talk on the Q2 performance and the way ahead. For the last six quarters, we have been growing consistently. Customer sentiment was strong in the quarter and continues to be so in the Q3 of this year. The wardrobe reboot followed by the office reboot is making us to be one of the best destinations in our chosen segment. Our customer footfalls both offline and online combined have surged significantly to an overall 40.8 million visits in the quarter that we are talking about, which compares to 25.3 million visits in the corresponding quarter last year.

From the time the economy rebounded from the third wave of COVID-19 in Jan 2022, I have been saying that we have had a strong momentum and that is continuing. Sales, gross margin, EBITDA and profit have witnessed strong growth. Sales grew by 62%, gross margins improved by 180 basis points driven by an increased share of full price merchandise and on EBITDA we made 75 Crores as against 2 Crores last year. We also grew versus the pre-COVID period. Our non-GAAP sales grew by 19% and EBITDA grew by 55% versus the pre-COVID period. Our gross margins also improved by 40 basis points.

The sales growth has been particularly impressive during the festive period. During the Pujo our east region which has a highest impact due to Pujo grew by 35%. It is pertinent to note that during the quarter we had closed a few of our stores for refurbishments, which are now open. We could have had sales of another 20 Crores and profits thereon if these stores had continued to be trading during that period. However, we do believe that customer experience is critical and hence we chose to shut the store in full while the refurbishment was on.

On some other KPIs, our ATV grew by 8% versus last year primarily due to the increased demand for premium and lifestyle products. The growth in ATV has now been consistent for 10 quarters.

Let me now share some important details on the operational costs. On a like-to-like basis we have saved 20 Crores, but we have also invested in marketing and digital commerce besides inflation in the existing stores. We also had a one-off expense of Rs.2 Crores on the consideration adjustment from Crossword which we had sold a year back. Specifically, on Crossword we have now received 90% of the amount and the balance 10% will be received after two years after which 100% of the amount due would have been received.

With the strong sales and tight control on cost, we reported an EBITDA of 75 Crores in non-GAAP and Rs.176 Crores as per the GAAP financials.

Our Capex investments in new stores and refurbishments are 47Crores. We opened three stores that is one department store and two beauty stores during the quarter. Our expansion plan is on track. We are currently under fit out in four stores with two stores having opened last week and a further three beauty stores are also under fit out, as always our Capex has been funded through our internal resources.

We reduced our working capital by 18 Crores and our cash from operations remain positive. We continue to be cash surplus or a net negative debt company. Today's retail landscape is changing rapidly and dramatically driven by the big shifts that consumers getting far more informed, product choices multiplying rapidly, technological advancements and public policy liberalization, are all contributing to new flows of information, knowledge and resources. During these changed times customers are looking for multi-choice, multi-product destinations. Our company has been ahead of the curve focusing on omni and we are confident that we are well placed to reap the benefits of these investments.

From operations I will now move on to the performance of our strategic pillars. Our first and foremost strategic pillar of First Citizen which is our loyalty program. Our engagement with our loyal members has been at its highest level. For this quarter they contributed to 77% of our sales. Our new enrollments have increased by around 3 lakhs during the quarter and cumulatively by 5 lakhs. We have consistently engaged with our First Citizen members. To give a few examples, our 360 degree campaigns with focused content and creatives were extremely successful. Our active base has increased by 300 basis points and we achieved this by concentrating on activating loyal citizens, loyal first citizen members who had last and had not come to our stores for a while and last we introduced gamification for our loyal members which also has been very successful. Most importantly, we continue to grow with First Citizen black member base and this grew during the quarter. To remind you the average transaction value is over twice that of a normal First Citizen member and overall they spend four times more than our regular First Citizen members. As you are aware black card members have to pay Rs.4500 to join this program and we have been witnessing steady and sequential growth ever since it was launched two years ago. We held a number of exclusive programs for our black card customers and this has been extremely well received. The feedback from our customers indicated that these programs are hugely successful and this is something that we intend to continue to do providing exclusive experiences for our First Citizen black members that they could not get elsewhere.

Personal shoppers have also continued to engage with our customers and this is again a point of difference for Shoppers Stop. A number of our customers love the experience that they get because of the advice and assistance that they get from our personal shoppers and this is something that we have continued to dial down on. Our association with HDFC Bank credit card has been progressing and we added Circa 3000 cards in the first six months.

Moving to the next strategic pillar of private brands. During the quarter, our private brands recorded its highest ever sales in a quarter at 192 Crores. Our private brands grew by 76% over last year specifically our apparel business within private brands grew by 78% and a whopping 64% over pre-COVID numbers. Consistent with the previous quarters, it has been increasing its share. As of now our private brands constitute to 21% share on apparels and 15% on overall business. The average selling price increased by 25% during the quarter for private brands. Kids continues to grow within private brands and grew by over 93% on last year.

To move the journey of converting these private labels to private brands we have Sanya Malhotra as the brand ambassador and we have had two campaigns with Sanya during the first half of the year. We had Sanya fronting Fratini for the first quarter of the year and in the last quarter beginning September Sanya has been the brand ambassador for Kashish and this specific campaign has been extremely well received with Kashish growing by 170% year-on-year.

Our focus on the Indian wear brand Bandeya in men's has also been very well received by our customers and it has grown by over three times this quarter. Our focus on women's wear in private brand continues and this category has grown 82% overall. Most importantly women contribute to the largest share of our total customer base contributing to 57% now versus 55% last year, this is for Shoppers Stop as a whole.

Moving on to beauty which is the third strategic pillar and our sales for beauty for the quarter grew by 45% against last year. During the quarter we launched 24 brands in our store bringing the total number of brands that we have brought in into the store at 35. On our private brand Arcelia we launched 35 new SKUs during the quarter and in total we now have a 135 new SKUs on a year-to-date basis.

The global supply chain issues have continued though it has improved as well. During the quarter we opened three new beauty doors and we have another three doors that are under fit out. In the last quarter I had spoken to you about the importance of content in beauty and we have continued to invest in beauty. Beauty content marketing increases brand awareness, differentiates the brand, builds audience relationships and drives more revenue. Customers rely heavily on different types of content to make buying decisions, research new products and learn how to use different types of beauty products. It is critical that our brand is there to engage with them throughout the customer journey. We have begun this journey and this will help us to diversify further in beauty, which is a growing category. This also will be a big point of difference when we launch the SS beauty app which I will talk to you about when I talk about Omni channel in the next segment.

At this stage I am extremely glad to announce that as a part of strengthening this strategic pillar of beauty, we have now obtained exclusive rights for retailing and distribution of a few beauty brands from L'Oréal and Clarins. Brands that we will be distributing from L'Oréal will be in the niche fragrance segment Atelier cologne in the Couture Brands, Prada, Valentino, Mugler & Viktor & Rolf and in the premium brands Ralph Lauren and Azzaro. Clarins will have an offering of skin care and makeup. Our objective of venturing and adding distribution within our beauty pillar is threefold, to create and evolve to serve the rapidly growing beauty and personal care market in India, create a better and unique brand proposition to create a win-win for our retailers, have a better brand representation by bringing the best in class global practices to India. We expect the sales from L'Oréal to commence from December and from Clarins in Q4 of this fiscal.

The SS beauty stores continue to trade well and that is something which will continue to grow as we go forward.

Moving on to Omni channel, we achieved our highest ever gross sales through our digital channels. We have been leap probing in our digital sales at 8% this quarter, this is significant considering that we had a large base in financial year 2022 largely because stores were either closed due to lockdown or partially closed and hence a larger portion of our sales coming from e-com.

However as mentioned in the last call we do look at online and offline together now given that a large portion of our sales offline is influenced by our digital presence. Apart from reaching out to a larger customer base through Amazon, we also served 25% of our digital sales to customers in cities where we are not present through shoppersstop.com. We are also in the test phase of the SS beauty app which will augment the SS beauty stores that we have opened. This will be an app dedicated to beauty and we are in the test phase as I mentioned. We expect to go live with this new app later in this quarter.

Further we continue to leverage on the investment that we have made in digital mediums across datalake, analytics and personalization tools. Using these tools to aid the personas that we have created on First Citizen helps us to target and offer much more focussed offerings to our customers in the communication that we have with them. Finally, on expansion, we opened one department store and two beauty stores during the quarter. The pipeline is very strong. Even as I speak to you today we opened two stores last week and we expect to open another four in the next six weeks. There have been delays due to regulatory approvals which in turn delayed the opening of our stores. We are on track to open 12 stores for this year and nine of these will be in Tier II cities. In addition to these we are planning to open the 15 beauty doors that I had committed in the previous call and again three of these have opened and four are under fit out.

In summary, we have grown consistently since the impact of COVID had paused all economic activities seven quarters back due to the lockdowns. We are extremely focused on execution of the strategy that we had put in place after COVID and we are pleased with the progress being made. All our KPIs have consistently improved in this period. I am particularly impressed with the growth of our strategic pillars of private brand, beauty and Omni. We expect sales to remain robust and our growth momentum to continue for the remaining half of this fiscal. Even as we speak, the festive sales for Diwali is strong with four days to go.

With our new partnership, we believe to serve and grow rapidly in the beauty and personal care market in India. We are planning to create better and unique brand proposition to create a great experience for our customers in retail in beauty. In this process we have better brand representation by bringing in the best in class global practices to India and also bringing in a lot newer brands in beauty to the country.

Our private brand has been firing on all cylinders within current annual run rate of 1000 Crores. We have been investing into the segment, which we will augment and continue to grow. We continue to remain debt-free which helps us to leverage better. I wish you and your family a very Happy Diwali and will open the call to questions now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Percy Panthaki from India Infoline. Please go ahead.

Percy Panthaki: Hi! Sir, this is Percy Panthaki. My question is can you give some idea on the competitive intensity specially to do with the sale days this quarter and how much was it higher or lower than normally what you see in Q2 and if there is any adjustment to be made between the timing of sale in Q1 and Q2 and if we look at it on a half year basis have the sale days been lower than what a typical year would have.

Venu Nair: In terms of the sale days overall, there was a reduction of 10 days in the total number of the sale days as you called it for the end of season period. Some of the reduction I would say seven days out of the ten happened in the previous quarter that is in quarter one and about three days in quarter two to be more specific it went on till the 19th of August in FY2020 whereas this year we finished on the 15th of August. So Q1 was where the impact was more, Q2 it was lower and overall the reason and I think it goes back to what we have been saying about the consumer sentiment being strong and also because of that the confidence for brands to focus on new and fresh merchandise, latest fashion rather than selling out what was left behind from the past and one thing we did specifically see was the mix of full price went up even during the end of season sales period which again is a reflection of the strong consumer sentiment that we have been saying.

Percy Panthaki: So in context to that just wanted to understand the EBITDA and the margins I am assuming that obviously because the sale period is sort of lower there is a positive effect on the overall EBITDA of the company. So just wanted to try and see if it is possible to quantify that impact in rupee million terms.

Venu Nair: I think specific to the end of season sale period is probably too granular to be covered, but what we did see was the growth of 50 basis points over the pre-COVID period on gross margin and of course EBITDA growth was 55% which not necessarily only due to margin but specifically I think at the gross margin level it was a growth of 50 basis points over FY2020.

Percy Panthaki: My next question is on margin trajectory over the next three years there are two moving parts to this one is your investments in Omni, etc. So I do not know whether we should be taking a reduction on that for FY2025-2026 level or do you think it would continue at these levels as a percentage of sales and secondly apart from that whatever EBITDA you are clocking what is the trajectory there and where do you see these numbers going and what are the drivers for margin expansion over the next three years.

Karunakaran M: Normally we do not give any guidance on the margins. Answering your other questions, yes, the margins should improve because we are focusing on private brands, which will improve the overall margins, we are also focusing on beauty, again which will improve the overall margins and as you rightly said Omni the margin will come down but we should be able to offset because of private brand and beauty will have a higher margins and in terms of a very broad guideline on the EBITDA margins, we have been quite consistent in saying that probably for the next two to three years we will be in high single digits at the end of the third it will be high single digit and it should be a low double digit in the fourth year so that is the consistent guidance we have been giving for some time now.

Percy Panthaki: The main driver of this expansion like for example if I just use this quarter I know it is not representative of the full year margins but this quarter you have done 5.9% if I take your non-GAAP numbers. So this moving up to a double digit over four or five years apart from product mix change is there any other driver which will be responsible or you think that this 400 basis points or whatever number it comes to product mix change itself is enough to drive that.

Karunakaran M: No, it will be a combination of product mix change plus overall productivity gains in our fixed expenses. It will be a combination of both.

Percy Panthaki: Okay, that is all from me. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Ankit Kedia from Philip Capital India Private Limited. Please go ahead.

Ankit Kedia: Sir, I have three questions. First is on the ESOP expenses is this recurring in nature, what is the total quantum of ESOP expenses we should build in for this year and next year. My second question is on the beauty offline distribution which you have just entered into it is a very working capital intensive business, how big is the opportunity for you from these brands of L'Oréal and going forward are we in constant touch with other brands to launch more brands in India and third is what is the management view on value fashion given that some of your peers are aggressively entering into the value fashion segment and are you all considering that.

Karunakaran M: I will answer the ESOP part and Venu will take the other two questions. On ESOP we expect 14 to 15 Crores impact this year and more or less same impact next year also probably slightly lower. So this is the first two years, but having said that this is a non-cash item and there is no cash outflow because of the ESOP expense, we are debiting the expense and crediting the reserve ultimately. So I thought I will just clarify that.

Venu Nair: On the other two questions. The first one was on beauty distribution and as I had mentioned we are starting off with eight fragrance brands of L'Oréal and also Clarins which will start in Q4 next year. It is a business which helps us to secure supply and also given that we are one of the largest retailers of beauty and these are brands which would be retailing from our own stores it helps us to actually have a better offering for our customers from our own stores and online channels. We do intend to continue looking at risk avenue to bring in more new brands into the country especially the ones which are focused in the segment that we operate in which is the premium and lifestyle segment. There are still a number of brands which are not present in the country and this gives us the opportunity to bring them in both for distribution as well as for retail. So that is something we intend to continue dialing down on and the third question in terms of the value segment you, are absolutely right. The value segment is a large segment in the country, it is a segment we are not present in specifically apart from and given that we are focused on the premium and lifestyle segments and it is a segment we are continuing to look at and evaluate and as and when an opportunity arises it is something that we may want to get into.

Ankit Kedia: Just a follow up on the beauty are the margins in the distribution business of beauty would be similar to the company average or do you think they can be slightly higher given that these are premium ones.

Venu Nair: Cumulatively it would and given the flexibility to have higher margins which is one of the reasons we are getting into it because effectively we are controlling the entire chain from the time the product comes into the country to when we sell off to the customers and hence we have definitely much better margins.

Ankit Kedia: Sure that is helpful thank you so much.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity. Sir my question is with regards to again the beauty offline arrangement with both L'Oréal and Clarins. So if I get it right in the note you have written that you have rights for both online and offline distribution and it is exclusive. So does that mean that those brands only you will be able to retail and not the other players.

Venu Nair: The rights is exclusive for distribution and retailing is not exclusive and we would be supplying to the other retailers for those brands.

Gaurav Jogani: But in that case they will have to source it only from you right in India.

Venu Nair: Yes, that is correct.

Gaurav Jogani: So in that particular part of the margins where you are distributing to other retailers so the margins that would be lower than what the company would be making right in terms of their retailing.

Venu Nair: Yes, for that particular part yes but overall as I said given that we are also the largest retailers for this and hence it gives us the opportunity to have more margin than we currently make. I think what is also worth mentioning is that it is a business where we are funding completely from our internal flows that it has the internal flows are quite strong as I have already mentioned, worth also pointing out that the distribution will be in a subsidiary business which is separate.

Gaurav Jogani: Sir just one more clarification on this part. If you would be able to highlight what is the current size of this particular business from the existing vendor who were just given out this license and what kind of an opportunity can it create for you going ahead.

Venu Nair: I think there are a number of new brands we are talking about so I would not want to get into specifics in terms of the size of that. It is something which we can give you separately, but overall these are set of brands which are new to the country and that is the one that we are going after.

Gaurav Jogani: Thank you, that is all from me.

Moderator: Thank you. The next question is from the line of Bharat Chhoda from ICICI Securities Limited. Please go ahead.

Bharat Chhoda: Hi! Congrats on a good set of numbers. My query was regarding currently we are at around 119% of pre-COVID levels. So how much of that would be driven by price hike over the pre-COVID levels like and what would be a sustainable SSG expectation going forward.

Venu Nair: Our overall ASP increase has been to the tune of 10% and these were price increases that we have taken at the beginning of the year. So it is not something which we did during the quarter, it was around when the season began the previous season that it is spring, summer 2022 launched in February of 2022 that is when we had taken the price hike and the price hikes have been well received, we have not seen a dramatic impact on volumes despite that and as

I said our overall bill values have continued to grow and have now grown for 10 consecutive quarters which essentially points to the fact that we have customers putting more items into their basket when they engage with us in the stores or online.

Bharat Chhoda: Sir SSG that we are expecting going forward on this base.

Karunakaran M: We do not normally give guidelines but it should be in the high single digit, mid single digit to high single digital.

Bharat Chhoda: Just one more thing like our private level brand share has increased from around 12% to 15% if we compare to pre-COVID levels but actually if you look at the gross margin it has not translated into much more of a gross margin, it is like 32.8% compared to 32.4%. So what is it like what is the reason of this not translating into a better gross margin in spite of a higher private label share.

Karunakaran M: Bharat if you are comparing, this is the pre-COVID there are two reasons. One, in the pre-COVID we had a one-time gain on the gross margin probably by 50 to 60 basis points specifically in quarter two. Second one if you remember our Omni channel or our digital sales was less than 1% right now it is at 5% to 6% from that and normally you are aware the margins in the digital channels are lowest in the offline sales and that is a business that we are investing to grow right now. So these are the two combinations that has impacted the overall increase in the gross margin specifically for this quarter.

Bharat Chhoda: So going ahead at least if this momentum in private label continues so we would see an improvement in gross margins is that understanding correct.

Karunakaran M: Absolutely correct.

Bharat Chhoda: Okay Sir, thanks for answering my queries. Thank you.

Moderator: Thank you. The next question is from the line of Nihal Jham from Nuvama Institutional Equities. Please go ahead.

Nihal Jham: Thank you so much and good morning to the management. Sir, couple of questions from my side. First on the beauty distribution business, would the distribution infrastructure for you primarily be the stores you operate or you would be required to invest in separate warehouses across the country

Venu Nair: For the beauty distribution business we would be using our existing infrastructure of our warehouses to do it. So we do not expect a significant incremental cost to do that business.

Nihal Jham: Sir I was asking that you have given the bifurcation of the store expansion of the 12 stores where three are in TI and the other are in Tier II and III cities. So going forward when you are targeting to reach 10 stores for the next two three years would it be fair to assume that majority of them would be in these T2, T3 cities when you look at getting into more cities going forward.

Venu Nair: You are right, the current base and also the current pipeline for stores that would open this year and next year would be in I would call it a Tier II cities probably not as much into Tier III yet but that is obviously an opportunity going forward. At the moment we are focusing on Tier II and even the Tier I suburban catchment where we have not been present. I think most important to underline is we will be where there is an opportunity that exists where our customers are and where there is an opportunity we would be the splits being higher into Tier I suburbs or Tier II is because of the fact that we do not have a presence there and that is where the opportunity is higher as the economy grows and as cities enlarge that is where the opportunity presents itself which we would capitalize on.

Nihal Jham: Sir just last thing I was looking for a data point was that can you give me the offline customer entry we are clubbing it currently with online, offline I was just looking for the offline customer entry for this quarter.

Venu Nair: Offline customer entry grew by 3%.

Nihal Jham: So it was around 25% in Q2 so it grew Y-o-Y 3% is what you are saying.

Venu Nair: Yes.

Nihal Jham: Thank you so much. I wish you all the best.

Moderator: Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal Financial Services. Please go ahead.

Aliasgar Shakir: Thanks for the opportunity. Couple of questions. First is on beauty so I think we have a target to add about 15 stores in this year, I just wanted to understand with this tie up with L'Oréal and the other should we expect this target to go up and probably if not in this year should we expect the base of addition to work because of this factor and second is on the private label. So I understand in the smaller stores the mix of private label particularly in the shelves is far higher, it is probably even about 35%-40%. So just want to understand given that now we are opening more smaller stores, how should we look at the private label mix I understand we have grown to about 15% now, but should we expect this to go much more significantly as we add a lot of stores in the smaller store size.

Venu Nair: On the first one on beauty, yes, it is 15 stores that we are targeting for this year and we are in line to have that and going forward again we have maintained the guidance that it will be 15 to 20 new beauty doors that we would look at which is what we do target. As the momentum grows on this we will look to accelerate that and that is something which I think we would have a better view on in the coming quarters as we get there. What I would like to state is that this is a segment where we see a huge opportunity for ourselves. We are the largest physical retailers online and with the augmentation of that with our SS beauty app and the SS beauty stores, we do expect to continue our growth journey there. The focus will continue to be growing the real estate that we have along with acquiring customers online through the SS beauty app on beauty specifically. Next year onwards we would also look to add boutique doors for example the L'Oréal brands that we have brought in for at least a few of them they would have standalone boutique doors for those brands specifically so that would be addition to what we have already said. So that is our beauty. The second part of your question was on private brands and the mix of private brands. So currently as you rightly said it is 15% to our total base or 21% to our overall. We can we expect this to continue to grow and again as you go into Tier II some of these brands have greater resonance and that continues and we expect the overall share of private brands to go up to between 25% to 30% in the next couple of years.

Aliasgar Shakir: Understood this is very helpful thank you.

Moderator: Thank you. The next question is from the line of Varun Singh from IDBI Capital. Please go ahead.

Varun Singh: Thank you very much. So my first question is on the data point the 25% of online customers shop from cities where Shoppers Stop did not exist, this number is quite encouraging I just wanted to understand it again can you give more color on what exactly are the products that these customers would have shopped for, I mean, will that be private label products of Shoppers Stop or branded stuff.

Venu Nair: These are from cities where we are not present and that is very encouraging it gives us a view of where our future expansion can be as well as the demand that we can get. On shoppersstop.com we are a house of brand, we offer everything that we have in our stores as I have mentioned in the past as an omni channel retailer, every single store of ours and today we have 91 department stores over 100 beauty doors all of these are linked to shoppersstop.com and hence consumers and customers across the country are able to buy all of what we retail from anywhere and hence it is not just private brands it would be a combination of everything.

Varun Singh: The second question is like out of 12 department stores you mentioned that around nine stores we will be opening in Tier II cities and also looking at the other statement that you made that our focus is not value fashion but premium and lifestyle segment so on premium and lifestyle segment why are we not sensing higher opportunity in Tier I cities and why only in Tier II cities.

Venu Nair: I think I need to clarify myself. Firstly, we are skewed towards metros and Tier I today and roughly around 65% to 70% of our business comes from Tier I and metro cities and this is something which we will continue to grow. It is a fact that our wins in some of the cities that are growing is not there is what presents us the opportunity to go into those cities and hence I had clarified that we will be where our customers are whether it is Tier I or Tier II. So again while we talked about and I think the Tier II needs to be understood very clearly that when we are saying Tier II it does mean it could be a place like Gwalior for example which we are terming it as Tier II but by a lot of definitions that could also be Tier I and not wanting to get drawn into that, but essentially these are cities where we are not present and consumer is there, customer is there, opportunity is there hence we are going. The other part, the three other stores which we are opening out of the 12 they are actually in Bangalore, Delhi and Pune, so these are again places where we already have stores, opportunity is there we are going into it so it is and I think we should not draw very strong inferences on the Tier I, Tier II I think what is important is we are going in wherever opportunity is there, where we are not present and hence creating customers and consumers for ourselves.

Varun Singh: So that will be kind of more of a working geography or places where we see a relatively less competition something like that.

Venu Nair: Basically we are a one-stop shop we are a multi-choice multi-product retailer and as consumers are getting exposed to wider choices, we become a great destination because of the fact that as our brands as a one-stop shop and customers can come to us and make their purchases. So that is the reason we go into these places, competition would be present but that is something which we welcome and it enlarges the market when that happens.

Varun Singh: Understood Sir that is very helpful. Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Disha Sheth from Anvil Share & Stock Broking Private Limited. Please go ahead.

Disha Sheth: Sir I was just wanted to check that the private brands which we are at 15% of total sales you mentioned that going forward will be about 25% to 30% did I get it right.

Venu Nair: Over the next couple of years that is the aim that we would want 25% to 30% of our total apparel business.

Disha Sheth: Which is 15% right now correct.

Venu Nair: It is 21% moving back to 25% to 30%.

Disha Sheth: Secondly on our same store growth what is it in this quarter and what do we aim going forward.

Venu Nair: For this particular quarter on pre-COVID numbers I mean I guess last year it makes no different on pre-COVID numbers we had a 10% growth and our rate filling as Karuna had clarified earlier our target is to have mid to high single digit growth on a quarter-by-quarter basis.

Disha Sheth: Can you just throw some light on margins for private label and beauty segment which is higher margin and what is the difference, if you can quantify please.

Karunakaran M: These are confidential information we do not normally share what are the margins for the private brands but having said that it is higher than the brand margins.

Disha Sheth: Beauty are higher than private.

Venu Nair: No.

Disha Sheth: Okay Sir thank you and that is it from my end.

Moderator: Thank you. The next question is from the line of Manjunatha Jogina, retail investor. Please go ahead.

Manjunatha Jogin: Thanks for taking my call. Just I would like to know what is the outstanding of loan.

Karunakaran M: You mean the term loans.

Manjunatha Jogin: Any kind of loans total how much do we have loan.

Karunakaran M: The loans are 134 Crores as on September 30, 2022.

Manjunatha Jogin: Thank you so much that is all.

Moderator: Thank you. The next question is from the line of Jay Gandhi from HDFC Securities. Please go ahead.

Jay Gandhi: Good morning everyone thank you for the opportunity. Sir, I just missed this one you mentioned the offline customer entry, if you just repeat that for the quarter.

Venu Nair: Offline customer entry was a growth of 3% over pre-COVID numbers.

Jay Gandhi: So pre-COVID you did around 10.5 odd million so 3% of that and the conversion ratio typically is that kind of does that hold.

Venu Nair: Conversion was fairly flat, the absolute number that you gave of 10 million I am not sure it was much higher. So overall the conversion was fairly flat and the customer entry total growth is 3%.

Jay Gandhi: If you could just share these details at some point, I mean, I do not think these are very confidential anyway these numbers. So it does certainly helps us reconcile to the top line at some point, I mean, it is just a feedback.

Venu Nair: Okay fair enough.

Jay Gandhi: The other thing I wanted to ask is what was interesting today is that 19% jump in sales I was trying to connect that to the working capital movement. Now comparing the pre-COVID versus the current quarter so inventory days have kind of broadly grown in line it is 21% slightly higher than the 19% jump in sales, but more worrying was that the payable days have grown at 29% so it is literally around 1800 Crores it is a good 400, 500 Crores jump. So I get that we are net cash surplus right now, but do you worry that at a certain point maybe in the next 12 to 18 months we might have to bring down this payable days in and hence effectively at some point again assume debt or perhaps stop growth either of the two.

VenuKarunakaran M: Neither of the two. See when we classify our inventories we have consignment stocks which is what we call as an ROR stocks and we also classify what is the creditors below that. So predominantly if ROR stocks grow our creditors will also grow up to the level except the last month sale like for example the September month sale we pay in the month of October that could be the only difference other than that our creditors are absolutely in line with the expansion of the business.

Jay Gandhi: But in terms of days it would not change right if I compare September to September pre versus post COVID I get that you probably have some payments to make in October which will not reflect in the balance sheet right now, but even in terms of days or the proportion to sales that may not necessarily change right.

Venu Nair: Yes, for our non ROR business it will not change in fact it could have marginally come down.

Jay Gandhi: But unfortunately I can see that it is kind of inched up and it is not just a pre versus post COVID thing it is actually over the last three, four years our support from creditors has inched up.

Venu Nair: So I think let me from a business point of view couple of things which need to be factored in as I mentioned our private brand business grew by 47% and obviously the overall share of private brand has also grown significantly over the pre-COVID numbers which we already talked about. Further we are looking at a fairly large growth in this Q3 as well and apart from the festive season for which we bought inventory also we have bought it for winter wear which have already come in and hence that is reflected. So it is the investment into the future growth which is being reflected as higher inventory and that is something which we expect it will get neutralized and come down as the quarter progresses. Further, I think what is important to note is that our working capital continues to be negative.

Jay Gandhi: That is fair great I will probably follow up with you at some point just to look at it. So thank you for this.

Karunakaran M: Thanks Jay you can call us anytime. Thank you.

Moderator: Thank you. There is a follow-up question from the line of Ankit Kedia from Phillip Capital India Private Limited. Please go ahead.

Ankit Kedia: Sir, I was saying in your presentation you have mentioned there is some innovative deal structures with landlords for the industry and at the same time there is significant supply of grade "A" malls in top seven cities. So with these two with your over indexing to tier II, tier III cities incrementally are you expected to let go of these grade "A" malls in top seven cities and at the same time how is the deal structuring being done with the landlords currently by you guys and by the industry.

Venu Nair: Firstly we are not looking to let go or not be present in grade A malls tier one cities, metro cities, these are large market these are places where we have a very high brand equity and these are places we would absolutely not just be present, but continue to grow so that is something I want to be absolutely clear because these are where and I think it needs to keep going back to we are where our customers are and these are places where our customers are they are significant and we can always be present. In terms of the deal structuring and what we have been looking at as we get into some of the newer cities, etc., we look for Capex support from our landlords and this is something which has helped us to go faster because that way our overall outflow gets optimized and that helps us to go faster in terms of our expansion.

Ankit Kedia: Lately we have seen Reliance Centro, how do you look at the competitive intensity from a departmental store perspective now given that last two years there was some tailwinds given in lifestyle and you were aggressive in the market and now with Reliance coming in and could be signing more properties how is that playing out in the market now.

Venu Nair: I think so far the number of stores of Centro that have opened are quite minimal. So I guess it is a bit early to comment about it and even otherwise we as a rule, as a practice we do not comment about competition. What we would say is that when you have a larger critical mass in terms of number of retailers, number of players present together it becomes a destination or it becomes a larger destination for customers to come in and that is what we would expect to see and of course also worth mentioning I guess the fact that even today the size of the market is large compared to the number of or the size of the organized market and I think the organized retail is still under 30% and hence the headroom for growth is very, very significant all across.

Ankit Kedia: So, that would also mean that if people eyeing the same property the rentals will increase so are you seeing that in the market now.

Venu Nair: I think competition has always been there, demand for good property will always be there and so to that extent we have not seen a dramatic movement per se.

Ankit Kedia: Sure thank you.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors Private Limited. Please go ahead.

Bharat Sheth: Hi! Thanks for the opportunity and my question is on this distribution business that we are undertaking for Clarins and L'Oréal so you said it will be through subsidiary and we will be using our own existing infrastructure which is a part of the Shoppers Stop. So do Shoppers Stop will earn some kind of logistic margin or distribution margin from subsidiary.

Karunakaran M: See the distributing company will import the products with Stoppers Stop and other retailers also. So for the consolidated Shoppers Stop there will be an additional margin.

Bharat Sheth: That only a gross margin will be additional, but in standalone that will give some kind of operational leverage of our existing infrastructure is that fair understanding.

Venu Nair: Yes, absolutely right.

Bharat Sheth: Okay thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Sir, just one question with regards to the receivable write-off of Rs.5 odd Crores during the quarter so this should be included both in GAAP and on GAAP right.

Karunakaran M: Yes.

Gaurav Jogani: So to that extent our margins would be better if we adjust for this 5 Crores in that sense because since it is a one off.

Karunakaran M: Absolutely right.

Gaurav Jogani: Can you help us out what is this regards to.

Karunakaran M: So this is the receivables we have written-off in our digital business, we have the reconcile between on the goods that has returned and then the customer account balance. So that is the one that we have to write-off it is a one-time write-off we had this quarter.

Gaurav Jogani: I think, if I am not wrong a couple of quarters back or maybe a similar entry was there right not this maybe the quarter prior to this one.

Karunakaran M: Yes, you are right again yes that is right.

Gaurav Jogani: So it is not regarding to that right it is a different one.

Karunakaran M: Absolutely different one yes.

Gaurav Jogani: Okay got it.

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

Devanshu Bansal: Thanks for taking my question. Sir I just wanted to understand the consumption trends so we have delivered about 6% CAGR on a three-year basis while other formats, other luxury formats are also sort of delivering about high teen CAGR growth even this 6% CAGR growth that we have reported is a combination of about 8% growth in ATV so I presume there is some sort of impact on the footfall or maybe the conversion side. So can you help me understand what is leading to lower traction in the apparel space versus other categories.

Venu Nair: So I think when you say the last three years I presume there is an impact of COVID as well which is for some of it and the comparisons obviously may not necessarily be completely like for like because of the fact that they would I mean a) we are more heavily skewed into the metros and Tier I which have a larger impact during COVID. In terms of the other factor which also had an impact was the expansion or what did not happen for the period 2015 to 2018 and that definitely has an impact on our growth in the subsequent years and that is something as a part of our strategy which we have corrected and it is something which we are doing aggressively. Coming back to the categories and within apparels since you specifically touch upon that what I would like to highlight is that the two largest categories men's apparel and western women's wear these were the two categories which had the highest growth that we have seen not just in the last quarter but the quarter before that as well. So the franchise for these large categories of ours is very strong and that is something which we expect to continue to grow.

Devanshu Bansal: Can you sort of give us some breakup across region so is this growth of about 6% secular across regions or some of the regions are sort of lagging behind and some are sort of seeing higher growth trends.

Venu Nair: I am not sure about the 6% that you are referring to where that comes from so I am not sure I would be able to…

Devanshu Bansal: Offline CAGR on a three-year basis.

Venu Nair: See what we can put in this quarter and the last quarter beyond that I think again and the fact that ever since we have come out of COVID six to seven quarters now we have seen significant growth, every quarter both sequential and total. However, for the period I mean almost a year, year and a half before that was the COVID impacted years and I think we cannot because that had multiple variables in there in terms of lockdowns, stores being shut and so on and so forth and hence the degrowth effectively that had happened during that period.

Devanshu Bansal: I just wanted to understand as in that other categories have picked up relatively faster so because of the pent up demand, etc., but the space where we are in has been a bit lagging behind versus the other category. So my question was from that perspective so that pent-up element is still not being visible or do you see there are chances that wardrobe refreshes, etc., can sort of give us that sort of a demand going ahead.

Venu Nair: Quarter for the last I mean pretty much from Q4 of last year and definitely since then we are seeing very strong demand across all our major categories across apparel, beauty, watches, sunglasses and all of them we are seeing extremely strong demand. Consumer sentiment is strong and driven by the wardrobe reboot that started off post COVID and then the transitioned and expanded into an office reboot as we would call it internally and what the sentiment is that is premiumization that is happening also postponed weddings, occasions and that is again driving demand up also as we enter into this, I mean, maybe enter is not the right word we are right in the middle of the festive season this is the first Diwali after two years where people are able to come out and celebrate freely, mingle freely, meet up with friends and family and all of that is driving demand.

Devanshu Bansal: Got it Sir thanks a lot.

Moderator: Thank you. Ladies and gentlemen, this would be the last question for today which is from the line of Shivaji Mehta an individual investor. Please go ahead.

Shivaji Mehta: Hi! Thank you for the opportunity. I had two questions regarding the value fashion that you were just briefly spoken about. Number one, the entry to value fashion will this be organic or could that be through an acquisition and number two would you look at first stabilizing the beauty and the private label segment first before really entering into value fashion or can that happen in the near-term also that is all from my side.

Venu Nair: If I can just clarify myself what I had said was that value fashion is a large market and it is something that we would evaluate. We are not entering into value fashion at this point or that is not, I mean, I have not indicated that at any point so that is pretty much I think negate or make the second question redundant.

Shivaji Mehta: Right Sir, thank you that is all from my side.

Moderator: Thank you. That was the last question for today. With that we conclude today's conference call. On behalf of Shoppers Stop Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Venu Nair: Thank you and I wish everybody a very Happy Diwali.