20th May 2024

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Exchange Plaza, Bandra Kurla Complex
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NSE Scrip Symbol: CANTABIL and Series: EQ
Fax No.: 022-26598237/38

Sub: Transcript of Investors Conference Call dated 16.05.2024

Dear Sir/Ma'am,

With reference to the captioned subject, we hereby enclose the transcript of Investors conference call held on May 16, 2024 at 16:00 Hrs (IST).

Thanking you,

Yours faithfully,

For Cantabil Retail India Limited

POONAM CHAHAL

Digitally signed by POONAM CHAHAL
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Date: 2024.05.20 14:44:12 +05'30'

Poonam Chahal
Company Secretary & Compliance Officer
FCS No. 9872

Encl: as above

"Cantabil Retail India Limited Q4 FY24 Earnings Conference Call"

May 16, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Company's website will prevail

MANAGEMENT: **MR. VIJAY BANSAL – CMD, CANTABIL RETAIL INDIA LIMITED**
MR. DEEPAK BANSAL – WHOLE-TIME DIRECTOR, CANTABIL RETAIL INDIA LIMITED
MR. BASANT GOYAL - WHOLE-TIME DIRECTOR, CANTABIL RETAIL INDIA LIMITED
MR. SHIVENDRA NIGAM- CFO, CANTABIL RETAIL INDIA LIMITED
MRS. POONAM CHAHAL - COMPANY SECRETARY, CANTABIL RETAIL INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Cantabil Retail India Limited Q4FY24 Earnings Conference Call.

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

Before we begin, a brief disclaimer, the Presentation with Cantabil Retail India Limited has uploaded on the Stock Exchange and thewebsite including the discussion during the call contains or may contain certain forward-looking statements concerning Cantabil Retail India Limited business, prospects and profitability, which is a subject to several risks and uncertainties and the actual result could not onlydiffered from those in such forward-looking statements.

I now hand the conference over to Mr. Vijay Bansal – CMD of Cantabil Retail India Limited. Thank you and over to you, Sir.

Vijay Bansal: Good evening, everyone. On behalf of Cantabil Retail India Limited, I welcome everyone to the Q4 & FY24 Earnings Conference Call of the Company.

Joining me on this call is Mr. Deepak Bansal, Whole-Time Director; Mr. Basant Goyal, Whole-Time Director; Mr. Shivendra Nigam, CFO; Mrs. Poonam Chahal, Company Secretary; and Marathon Capital, our InvestorRelations Advisors. I hope everyone had an opportunity to look at our results. The Presentation and Result release have been uploaded on the Stock Exchange and our company website.

Cantabil delivered another quarter of good performance despite challenging environment and considerable slowdown in consumer spending. We have shown notable performance by delivering a revenue growth of 12% in FY24 and will continue to manage business dynamically ensuring long term growth and sustainability. We have further strengthened our balance sheet by raising Rs. 50.4 crores from foreign investors in Q4FY24, which will help us to capitalize further on the growth opportunities. On the expansion front, we remain focused on pursuing our long-term strategic agenda by further expanding our reach and opened 86 stores during the year. We are out to good acceptability of our products through online channels. The revenue from online channels we have more than doubled in FY24 and is likely to further improve going forward.

I now handover the call to Mr. Shivendra Nigam for giving updates on the financial performance for the quarter. Thank you.

Shivendra Nigam: Thank you, sir and a very warm welcome to everyone.

Coming to the Financials:

Standalone performance highlights for Q4 FY24:

Revenue from operations for Q4FY24 grew by 12% to Rs. 194 crores as compared to Rs. 174 crores in Q4FY23. Coming to EBITDA for Q4FY24 which stood at Rs. 43.9 crores as compared to Rs. 42 crores in Q4FY23. EBITDA margin for Q4FY24 stood at 22.6%. PATmargin for Q4FY24 stood at Rs. 18.3 crores as compared to Rs. 16.9 crores in Q4FY23. PAT margin for Q4 stands at 9.5%.

Now coming to the Financial Year '24Highlights:

Revenue from operation for FY24 grew by 12% to Rs. 616 crores as compared to Rs. 553 crores in FY23. EBITDA margin for FY24 stood at Rs. 163 crores as compared to Rs. 165 crores in FY23. EBITDA margin stands for FY24 stood at 26.4%. Coming to the PAT margin for FY24 stoodat Rs. 62.2 crores as compared to Rs. 67.2 crores in FY23. PAT margin for FY24 stood at 10.1%.

Coming to our stringent policies:

We have made a one-time inventory adjustment by Rs. 2.64 crores, this has slightly impacted our EBITDA as well, so now we may begin the question and answer session. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Resha Mehta from GreenEdge Wealth, please go ahead.

Resha Mehta: So, my first question is on the demand. I think in your press release, you have mentioned that demand has started improving April onwards. So, can you just elaborate on that and if you could quantify and give some color on rural versus urban demand, how is that shaping up April onwards?

Deepak Bansal: This is Deepak Bansal. The demand was really well in the month of April and the March has also shown very good demand. So, we are really hopeful that this quarter 1, we will be able to deliver good same store sales growth and because it is visible from the last few months that demand has picked up well.

Resha Mehta: Okay, so can you quantify this? Is it possible like let us say we have moved to a positive SSSG?

Shivendra Nigam: So, since quarter is running, so April was the quarter, we cannot give the clear number right now for the Q1, but in the month of March, the overall demand in terms of same store sales growth was there; however, the January and February was on a negative side. So, putting together March was in a plus growth and April as well, so that is how the signs for the future….

Resha Mehta: Okay, so qualitatively, if you can just comment on the demand where your COCOstore is performing better than FOFO or let us say your metro stores were performing versus your Tier-2, Tier-3 stores, any color on that front?

Deepak Bansal: The pattern is almost the same everywhere, like initially when the recession started, when there was muted demand in the last year in the month of April. There was some pattern that Tier-3 was slowing down and Tier-1 was doing well, but when the year start coming to an end, now the pattern is almost same, demand is picking up everywhere and whether it is franchise store or company store or whether it is Tier-1, Tier-2, Tier-3, so pattern is same now.

Resha Mehta: So, it is picking up everywhere now you are saying, right?

Deepak Bansal: Yes.

Resha Mehta: And how much of our demand is linked to the wedding season?

Deepak Bansal: Yes, April was a wedding season, so there was a definitely demand of the wedding wear products also, which also led to a spurt in the demand, but wedding season is again there in the end of the June, so we are again hoping that wedding demand will come up again in the end of June.

Resha Mehta: Right, so if I were to justgo a little bit further, so let us see how much of our annual revenue is dependent on the wedding season panning out well?

Deepak Bansal: We sell a lot of suits and blazer category, so our suit and blazer category picks up well when there is a wedding season. So, when there will be a good wedding season, our demand for the suit and blazer category will go up. So, yes, it will contribute very good sales mainly in the month of winters because mostly in the winter customer to buy these suits and the blazers. So, we really hope that this year wedding season will be great.

Resha Mehta: If we look at the annual numbers, what percentage of revenue comes from these suits and blazer category?

Deepak Bansal: I think it is something around 10%, specifically from this particular category.

Resha Mehta: Sure, so the other thing I wanted to understand was the seasonality part. If I look at your Q4 gross margin, generally tended to be in the 50% range, while for the full year it has been around 56% kind of gross margin. So, what is the difference in the product mix if you could talk about, which is leading to this margin differential, lower margins than Q4 specifically?

Deepak Bansal: Yes, the Q4 is majorly about the selling of the winter products because January and February is a hard corewinter wear month. So, it is again the end of season sale periodinventoryproduct, so that is why the gross margin goes less in the Q4 because in winter, the sales tend to grow and that time end of season sale discounting is more. So, this is the quarter when there is a maximum discounting happens due to the winter wear products that is why the gross margin is less.

Resha Mehta: Got it. Historically, if you see our gross margin till FY21 were around 50%, but then FY22 onwardstill date, if we see they have been at around 55%. So, there has been a bump up of around 500 bps on the gross margin front, so what have changed structurally over the last 3 odd years?

Deepak Bansal: It is mainly due to the markup, we have increased our markup of the products that is why the gross margin has increased.

Resha Mehta: Okay and typically what is the annual price hike, markup on clothes that we take, generally on an average, I understand that last 2 to 3 years were years of hyperinflation, but on a normalized basis, what would the markup be on an annual basis?

Shivendra Nigam: So, there is a calculation criteria what we have been adopting, so basically in earlier commentary also we have been mentioned since we procure the raw material costly then it has been passed off. So, we did not intentionally increase every season. Last year we did not increase any kind of multiple otherwisethat is why our same store growth is affected as well. We do not do intentionally, but considering the inflation, a few markets we are doing year-on-year basis. Last year we did not do, but that has to be happening.

Resha Mehta: But otherwise on a steady state basis, we are confident of maintaining at least 55% gross margin going ahead as well.

Shivendra Nigam: Yes, absolutely. If you have seen, just you have mentioned, earlier there are a lot of things including the markups when the company was in establishment phase, we did not increase the markup, but we have taken a cautious call in correcting them around 3-4 years back and then we have the commitment of maintaining 55% of the gross margin, which we are doing continuously. Last to last year, it was 54.6. Last year, we maintained it to 56.2 and this year also we maintained 56% gross margin.

Moderator: Thank you. The next question is from the line of Ankit from Subhkam Ventures. Please go ahead.

Ankit: Sir, a few questions from my side. Sir, first of all in FY24, which is the last year, the performance has not been that great. We had a negative SSSG, margins also declined. So, first of all I would like to know how much of it is would you like to blame on the macro part and how much you feel there were some internal issues wherein this year you would focus on improvements?

Deepak Bansal: Yes, I would like to mention that during the first three quarters majorly during the macro part, there was a muted demand visible in the market, but in the Q4, the same-store sales growth was negative because we controlled our discounts. So, last year there was some higher inventory and we have to give some more discounts. So, this year if you will check, our gross margin has increased in the Q4. So, we have controlled the discount, so there is a little downside in the same-store sales growth in the Q4 number, but that was only there in the month of January and February, but in March there was a very good same-store sales growth and same has come in the April month also. So, it was a like combination of both macro factors and the internal area factors and that I also mentioned that it was there in Q4 first three quarters and in last quarter it was our company decision only.

Ankit: So, what was the exact rate of SSSG in the March month?

Shivendra Nigam: Quantity, it is 9%in the month of March.

Ankit: So, my second question is that in the last couple of years in FY22-23, your EBITDA margins were in the range of 29%-30%, which has declined to some 26%, so what kind of SSSG is required to achieve this number again, the margins?

Shivendra Nigam: The same thing, we are focusing on getting the SSG year-on-year basis, last year of -4%, there are couple of reasons that we just explained and we are focusing on 6% to 7% and considering the trend of March and April, the 6% to 7% SSG we are focusing to achieve those coming back to that EBITDA margin of 28% to 30% range.

Ankit: What will be the main driver of this SSSG say in the coming years?

Deepak Bansal: Yes, there are a number of factors, number of things we are put in place. First is the incentivization program, till now we used to have like incentives only on the store sales for the front-end staff, but now some additional incentive programs have been introduced like earlier everyone used to have a store incentive, now there is an incentive for every staff at the store level, first thing is this. The second, there is like competition for creating the healthy competition, we have created the incentivization program. Third is like we have introduced a category of the month category, where again incentive program has been introduced in a particular category to boost the sales. So, this is mostly about the incentivization to increase the sales and fourth one is we are into the product category also, many new kind of products have been introduced. Like, which were not there earlier like cargos we introduced, flexible shirts we introduced, some flexible T-shirts we have introduced, and some bold and bigger prints have been introduced in the club wear category. So, this was about the product improvement and there is some special manufacturing for geographical areas also known like for the West and the East where winter wear is not happening much. So, we are creating special category for the winter months for the Western and the Eastern region, so by combining all these factors, we are hoping to achieve around 7% SSG in the coming year.

Ankit: And last year raised money through equity, so should we expect a very high acceleration in store expansion or you feel this money would be used in working capital or where do you see the utilization of this money and resultantly what kind of growth you are looking at in this year?

Shivendra Nigam: So, the same thing, this money has been specifically there for the utilization of working capital, which will strengthen our margins in terms of gross margin, so that would be there. This is not a part of our CAPEX expansion, because of money, we are not over running in our expansion. That is the same ideology we are running at 6 to 7 store, 80 to 90 store year-on-year basis on a long-term sustainable basis, so that money for working capital which we are utilizing for strengthening our gross margin, CAPEX part is internal and that is separate.

Moderator: Thank you. The next question is from the line of Jatin Chawla from RTL Investments, please go ahead.

Jatin Chawla: First of all, congratulations on maintaining strong gross margins even in a very weak demand environment. My question is on the store addition side, I see out of this 86 stores that you have added, only two have come from the franchisee route. The rest have come where the company has itself added the stores. I think your guidance was for one third will be franchisees and two thirds will come from the company, so what is the reason, are we not finding enough good franchisees to partners to open these stores or what is the reason for a change in strategy?

Deepak Bansal: Yes, like earlier, we used to have 30% franchisee stores and 70% company stores. Now the issue is like 75% company owned and 25% are franchisee owned. This is mainly due to some deliberate goals also because we have figured out that franchisee are not able to manage well, they were cutting the corners on the expenditure side due to which sale was suffering and second, some territories like Gujarat, Maharashtra, where the more stores were opened, these territories does not have like the franchisee stores, the 99% stores in the Gujarat and Maharashtra region are the company stores. We used to have more of the franchisee in the Rajasthan region, where 75% store are the franchisee stores, but as the Rajasthan is nearing the saturation, so franchisees naturally have gone less in the company, so that is the basically two factors due to which franchisee have gone less.

Jatin Chawla: So, going forward also in this 80 to 90 stores that you plan to add every year, most of them will be company owned?

Deepak Bansal: Yes, most of them will be company owned.

Jatin Chawla: So, similar like 90 to 95% will be company owned, very few franchisees or will it change?

Deepak Bansal: See, it's very difficult to literally comment. It will be 85 or 95, but it is going to be like that only.

Jatin Chawla: Understood. My second question was on your inventory days, I think finished goods are inventory is at the same level as last year, whereas last year we had a sudden demand slowdown in 4Q and because of which we had higher inventory days. I think your commentary was that this time around March, the demand environment was slightly better. So, why do we still have such a high finished goods inventory even this year?

Shivendra Nigam: So, overall, last year if you say my overall inventory level was 144 days, which has bring down to 136 days now. My FG inventory because that we did not increase in much FG inventory, last yearmy total inventories were Rs. 218 crores, which has been ended up at 230 even after we opened 86 new stores. So, we managed in those inventories as well. So, the conversion of raw material and WIP more in the finished good which has been consumed. So, overall earlier we also mentioned my inventory cycle would be approximately finished would be in this range only 110 to 115 days and overall inventory cycle would be approximately 130 to 135 what we are being regularly monitoring and controlling.

Jatin Chawla: So, going forward, we should expect this similar numbers to continue or are you planning to lower your inventory for this?

Shivendra Nigam: We are increasing range as we say we are continuously increasing range in terms of our accessories, in terms of ladies, kids. Footwear has been launched, athleisure wear has been launched. So, minimum inventory is being there because whenever I increase my inventory, when I put Rs. 1,00,000 of inventory that will adding up to my revenue. Just for a theoretical number, getting it down so 110 to 115 in terms of FG and overall, approximately 130 to135 is an ideal number, which we are going to maintain.

Jatin Chawla: And on SSG, when you said 6% to 7%that you're targeting, are you assuming any price hikes or this is entirely going to be volume led?

Shivendra Nigam: 50:50, earlier also we met 50:50 number plus-minus 1%-1.5% isdefinitely, volumeincreased in proportion as well as some hike would be there.

Jatin Chawla: And just one last clarification, this one time inventory charge of Rs. 2.64 crores. This is only in 4Q or this is for the full year?

Shivendra Nigam: So, whatever my aging inventories were there, however, it is much more realizable than it, but we have taken cautious call and bring it down to some level.

Jatin Chawla: So, my question was do we chargeonly in 4Q results or this was there in earlier quarters also?

Shivendra Nigam: Q4 results.

Moderator: Thank you. The next question is from the line of Palash Kawale from Nuvama Wealth. Please go ahead.

Palash Kawale: So, my question is on segmental contribution. Our segmental contribution from men's category has come down from 86% to 83% and even in terms of store openings, we have opened a lot of ladies and kids focus store. So, are you anticipating this trend to continue going on and in terms of store opening distribution, how should we see going forward?

Deepak Bansal: Like last year, we opened 20 ladies and kids store, family store20,men and ladies store again 19 and men’s store 34. So, in total it comes to be around 98 stores. So, same kind of pattern we plan to continue in the coming year.

Palash Kawale: Sir my next question is you mentioned in last concall that you're opening a larger size store. So, what kind of store economics you get there payback, how is the payback period and how is revenue per store?

Deepak Bansal: So, like we have opened around 20 family stores last year, average size of the store we opened last year is around 1600 square feet. So, these stores haven't got the full year of the working. So, it is difficult to comment early because once these stores complete one full year, then we will be able to get you the full statistics about the store.

Palash Kawale: Sir, my last question is on footwear. So, any comment on that, how would be the growth, what kind of growth would we be looking going forward?

Deepak Bansal: In the last year, we have done footwear sale of Rs. 2.6 crores and in the next year we are targeting footwear sales of Rs. 10 crores.

Moderator: Thank you. The next question is from the line of Shrinjana Mittal from Ratnatraya Capital. Please go ahead.

Shrinjana Mittal: Just two questions. So, one is on the earlier comment that you made aboutin terms of COCO stores performing a little bit on the lower side and the cutting corner. So, can you just provide a bit of a breakup between what is your same store sales growth like in the COCO stores and what has it been like in the COCO stores?

Deepak Bansal: Same store sales growth is almost the same in both the categories, but we have faced some operational issues in the franchisee stores. So, due to the operational issues there, last year around 12 stores were closed, so around 8 stores were the franchisees stores which were closed. So, that's how we decided to better go more with the company owned stores than the franchisee owned stores.

Shrinjana Mittal: Understood. And the second question was on if you can help me understand little bit on the inventory aging side. So, currently what portion of the inventory would be greater than 12 months and greater than 9 months and if you can just provide some color on that?

Shivendra Nigam: So, my out of my total inventory, approximately my 74%-73% is less than a year and 2 to 3 months inventory is approximately is 15%-18% and more than 2-yearinventory is all put together is approximately 7%. So, that is a clear bifurcation, out of which we have made a provision, a provision of this Rs. 2.64 crore what we told.So, that's the number.

Moderator: Thank you. The next question is from the line of Rohit Jain from Anand Rathi Wealth Limited. Please go ahead.

Rohit Jain: So, you mentioned in the presentation that our online sales have doubled. So, have we been profitable through this in the e-commerce segment?

Shivendra Nigam: So, yes, my online sale actually 2.5x. Last year we did it to 13 crores. This year we end up with 33 crores. So, as far as online is concerned, the profitability yet we are not on the negative side, we are not on a negative side because we have been maintained. The important is gross margin, overall 56% margin but 49% approximately margin we have been maintained here. So, we are on the positive side on the bottomline putting all the commission and advertisement and other expenses, not very high as far as offline is concerned as compared to offline concerned, but the overall P&L for my e-commerce is also on a slightly positive side.

Deepak Bansal : It's majorly about clearing the leftover inventory, so much profit marginnot expected from the online sales because we are only clearing the old season merchandising through the online sales.

Rohit Jain: And what are we targeting or what are we seeing the sharing current FY25 from what are we targeting from online please?

Basant Goyal: This year we are targeting the net sales of around Rs. 50 crores. So, this would be something around 6% to 7% of the overall company sales.

Rohit Jain: And so my second question would be how much are we spending on marketing and advertising currently and what would be the targeting?

Shivendra Nigam: Yes. Overall from a company perspective, this year we end up approximately 1.65%. And the overall target earlier we communicated is approximately 2%. So, that would be in this range only. This year we end up with 1.64%.

Rohit Jain: And sir one last question. So, our capital working progress has increased by Rs. 23 crores. So, could you please throw some light on what has been this increase related to?

Shivendra Nigam: Correct. So, as we mentioned earlier, we are making new warehousing cum office space as well as my existing Bahadurgarhcapacity is increasing, so out of this Rs. 23 crores, that Rs. 18 crores would be there for my new office and the balance Rs. 9 crores has been there for my increase in capacity of existing Bahadurgarhfacilitywhich both expected to complete this year. Bahadurgarh,that would be starting this month itself and new office cum warehousing facility would be by the end of this financial year. So, this CWIP increase is on account of mainly 2 that is my new warehouse cum office space as well as increase in Bahadurgarhcapacity.

Moderator: Thank you. The next question is from the line of Rajesh Jain from Jinanand Research. Please go ahead.

Rajesh Jain: I have couple of questions for you. First, like what would be the inventory provisioning policy going forward considering we have to take some additional provision? And my second question is does the online sales and return would also warrant increase provisioning going forward?

Shivendra Nigam: So, two questions you asked, our inventory provisioning policy as well as online. So, as far as inventory provisioning policy, this year we started taking provisioning for our age inventory. We are making it more stringent and that would be in the coming financial year, exact 50% we have made the provision of that Rs. 2.65 crores out of Rs. 5.4 crores this year. We may review it again and more stringent policies would be there. As far as e-commerce is concerned, this year we will be able to deliver approximately 5.5% and target for coming financial year is approximately 7% and going forward to make it a 10% to 10% approximately when the Rs. 1,000 crores company would be there in terms of revenue.

Moderator: Thank you. The next question is from the line of Meet Rachchh from Anubhuti Advisors. Please go ahead.

Meet Rachchh: My first question is in terms of the store network. So, right now we are mainly focused on West and North, so just wanted to understand the incremental stores which you are targeting the 700 in FY26, so incremental 170 stores would be opened in which regions? I agree it will be opened in Tier 2 and Tier 3, but in which states?

Deepak Bansal: Today, we have the maximum presence in the North, around 50% stores are in Northern India, then Western India is around 35% store, then 15% stores are in the center and the East and we have almost no presence in the South India. So, most of the stores will be coming in the center and the Eastern region, but yes, there is still the scope for expansion in North and West also. So, we will be expanding in the North and West also and after around 2 years we will be going to the South India because most of the markets will come to close to saturation in the other parts of India after 2 years.

Meet Rachchh: And second question is in terms of the FY26 guidance, so earlier you mentioned that we will have a target of Rs. 1,000 crores revenue in FY26, so do you still maintain that guidance or is it changed?

Shivendra Nigam: Broadly it is same. There 20% CAGR we have been planned, so not exactly by end of FY26 but mid of FY27 or FY27, we are definitely going to cross Rs. 1,000 crores revenue company.

Meet Rachchh: Mid of FY27?

Shivendra Nigam: Mid of FY27.

Meet Rachchh: And last question is in terms of the discount schemes, so generally what happens is you start with the lower discounts in Q1 and then it gradually increases and in the fourth quarter you have that buy 2 get 5scheme. So, do we still want to continue with those discount schemes or is there something changed in that?

Deepak Bansal: Like we start the season with the buy 3 get 5 offers, so it basically amounts to be around 30%, 35% discount and then we move to the 50% discount for a month then we move to the buy 2 get 5 period, so it happened in the both the summer time when the winter time. So, this pattern will continue. We plan to go by the samestrategy, and we don't plan to change our strategy.

Meet Rachchh: So, there will be a substantial bump in our EBITDA margins in Q1 as compared to Q4, right?

Shivendra Nigam: Yes, it goes earlier as well. So, when my Q1 margin is always very high, it is even more than 65% Q1 margin that is the same thing because that is the most least discounted period and then it is getting down quarter-on-quarter basis however, sales is increasing on quarter-on-quarter basis.

Moderator: Thank you. The next question is from the line of Arpan Rathod from Insight Advisors. Please go ahead.

Arpan Rathod: Just wanted to understand in the presentation in the focus area, you have mentioned that there is a focus to reduce cost and achieve efficiency in order to remain competitive. Just wanted to understand what are the key steps which you have guys have taken? And also how much in terms of percentage you guys are looking to save on this?

Shivendra Nigam: So, your question is what are the parameters which we are going to improve efficiencies, right?

Arpan Rathod: And likely saving because of that?

Shivendra Nigam: So, there are 2 things, there are 2 aspects of efficiency either you improve the topline or reduce cost. So, just now Deepakji initially told that what are the steps we are taking to improve our sales, so that is also we are considering as a part of efficiency as well as since if you have seen we are increasing the capacity in our Bahadurgarh plant that will give us more efficiency in terms of production, so that would be soobviously, overall cost onpercentage reduce, so overall efficiency and efforts to maintain our gross margins which we are committed to maintain approximately 55% to 56%.

Arpan Rathod: And do we see going forward maybe a year down the line, this gross margin going to 56%-57%?

Shivendra Nigam: Yes, that is our internal targetssince day one. For last year, we are continuously delivering 55% it would be 56% last year this year also. So, 55% commitment in terms of gross margin is still there and that would be continuous.

Arpan Rathod: And last question from my side. How has been this season so far April and May?

Deepak Bansal: April season has been quite good. So, it was a wedding season also there was a good spurt in the demand in the April season compared to the last April. And we hope that we will close the first quarter with good SSG.

Moderator: Thank you. The next question is from the line of Rahul Gupta from Monkvestor Research Analyst. Please go ahead.

Rahul Gupta: Sir I had a couple of quick questions. Firstly, what are we doing on the digital front in terms of sales? How are the revenues looking up? And what is the target of digital revenue in online sales in a way for FY25?

Deepak Bansal: Our online sale contribution was around 5% last year and this year we are targeting around 7%. So, last year sale was around Rs. 32 crores on online this year we are targeting Rs. 50

crores on the online and the digital marketing activities are always a part of the company, so it enhances the both online and the offlinesales. So, we are doing various kinds of activities to boost our sales like influential marketing, display ads etc., so it is helping naturally, it will first**37:57__ it is** helping the online sales, but it is also helping in the offline sales also. So, our total expenditure both for the conventional and digital marketing is 1.6%.

Rahul Gupta: Could youtell us about the margins as well on these online sales?

Deepak Bansal: Online has a lesser margin than the offline like it is 8% less than what is there in the offline.

Moderator: Thank you. The next question is from the line of Aldrin from Jinanand Research. Please go ahead.

Aldrin: So, recently you all issued a preferential of Rs. 50 crores, so I had a question relating does the company plan to issue more such shares and dilute the equity further on?

Shivendra Nigam: There is no such plan as of now. There is no such plan. IR is a continuous part. The investor having different choice also, so that is the preferential allotment. So, there is no such planof existing dilution of equity.

Moderator: Thank you. Next question is from the line of Prajeet Mehra from Individual Investor. Please go. Go ahead.

Prajeet Mehra: There is a 53% increase in remuneration for the directors in FY23 that is what mentioned in your report. So, I would like to know such adjustments were made for FY24 as well and if there are such plans for FY25?

Shivendra Nigam: There is no such plan. There was an earlier prices were lower side which has been corrected to the market rate. There is no such plan too. There is a slight remuneration fees as a part of annual process. Nothing is there. There is no such thing.

Prajeet Mehra: So, what about FY24, so FY23 there is a 53% increase as compared to FY24?

Shivendra Nigam: FY23 and FY24 were same.

Moderator: Thank you. The next question is from the line of Resha Mehta from Green Edge Wealth. Please go ahead.

Resha Mehta: So, just one quick clarification. So, when you say that you don't need to dilute equity anytime soon, so at least can we assume that for the next 2 years until you reach a target of 700 stores, you will be able to meet the CAPEX from your internal accruals?

Shivendra Nigam: Absolutely. For last yearwhatever the CAPEX and other investment has been done from the internal accrual only and going forward, all the CAPEX and expansion, even my Bahadurgarh capacity increase, new warehousethey all from the internal accruals only.

Resha Mehta: The other one only women and kids wear, so clearly we are seeing an increasein focus forthese 2 categories and the recent store openings etc., in your presentation also show that there is a focus here. So, how would a higher share going forward of women and kids ware change the unit economics of the store, so are they more higher margins or if you can just elaborate on that one, that how would the unit economics of the store change if at all?

Deepak Bansal: In the ladies and the kid's categories, the gross margin almost the same. And going further also, we believe we will be going with the same gross margins.

Resha Mehta: On the competition front, if you could just comment on thattypically let us say a Tier 2 or Tier 3 town in your catchment which are the other men brands that are generally available in and around our store?

Deepak Bansal: So, basically there are 3 kinds of brands, one is the large formatstores which are selling in the value for money category.So, second is the premium brand during the end of season sale they come close to us. Third is the vanilla brands which sell very close to our price points. So, basically there are 3 categories of brands which we are having competition with.

Moderator: Thank you. The next question is from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: So, did I hear right when you said that for 1Q you are hoping for a double digit SSG?

Shivendra Nigam: No, here we are looking for 7%, single digit we are looking for that.

Jatin Chawla: So, 1Q I think the base is very low, right? Last year 1Q you had like a -7% SSG.So, this pickup that you are seeing in April is it just on account of a low base or are you actually seeing an improvement in sentiments on the ground?

Shivendra Nigam: Overall even in the month of March and April, there was not only double-digit growth but on the higher side that is plus 20, so we are subduing that and from this last-to-last year point of view it is there. So, overall we are looking for the growth from current financial year only.

Jatin Chawla: You have opened store sizes I think last year has been much bigger at about 1,600 square feet, so do your other store costs remain the same or other store costs also go up? So, should we then look at SSG or should we look at how the revenue per square feet number is trending?

Shivendra Nigam: If I understood your question, what you are saying is this is what we are talking numbers are average numbers overall for the store. So, this year 1,600 is the biggest store that is why slightly down on the side of per square feet sales. But at the same time your per square feet cost is also getting down. So, that is how it has been impacted.

Jatin Chawla: And the per square feet cost is coming down because you are going into smaller towns where the rental costs are lower?

Deepak Bansal: Correct. You are right whenever you are being negotiating better, larger store is being there then the first floor is there, so you are getting slightly better rate as well as in the manpower as they are two biggest costs. So, on the same side when the per square feet sale is definitely affecting when you are opening the larger stores, but there are some benefit on a per square feet basis theoretically you are getting lower on a cost basis.

Jatin Chawla: And this SSG number that you call out what stores do you use? Do you use like stores open 12 months, before 24 months before what is the stores where you measure SSG?

Shivendar Nigam: Weighted average, if we run store for one month, then it is the one month, so weighted average apple-to-apple comparison is there from the last year.

Jatin Chawla: When you say apples-to-apples meaning, so let us say our store was opened in January this year that should not be part of your SSG calculation now, right? Because it is not there in the base?

Deepak Bansal: That can't be part of the calculation because in last 2 yearit has no data because it wasn't opened, so the stores which used to have last year data either partially or fully can only be accommodated in the report.

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

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

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