



GO FASHION (INDIA) LIMITED

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Dear Sir / Madam,

Subject: Transcript of Earnings Call – Q2 FY 22-23

We hereby enclose the transcript of earnings call for the financial results for the quarter and half year ending September 30, 2022

This is for your information and records.

Thanking You,
For **Go Fashion (India) Limited**

Gayathri Venkatesan
Company Secretary & Compliance Officer

Go Fashion (India) Limited

(Formerly Known as Go Fashion (India) Private Limited)

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“Go Fashion (India) Limited
Q2 FY ‘23 Earnings Conference Call”

November 04, 2022



**MANAGEMENT: MR. GAUTAM SARAOGI – PROMOTER AND CHIEF
EXECUTIVE OFFICER – GO FASHIONS INDIA LIMITED
MR. R. MOHAN – CHIEF FINANCIAL OFFICER, AND
SGA - INVESTOR RELATIONS ADVISERS – GO
FASHIONS INDIA LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '23 Earnings Conference Call of Go Fashion (India) Limited. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are other guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gautam Saraogi, Promoter and CEO from Go Fashions India Limited. Thank you, and over to you, sir.

Gautam Saraogi: Good evening, and a warm welcome to everyone present on the call. Along with me, I have Mr. R. Mohan, our Chief Financial Officer, and SGA, our Investor Relations advisers. I hope you have all received our investor deck by now. For those who have not, you can view them on the stock exchange and on the company's website. We have started FY '23 with a very strong performance in the first two quarters. Our revenues grew 48% Y-o-Y to INR 166 crores, highest ever quarterly revenues at Go Fashion. EBITDA and PAT grew by 40% and 44%, respectively, to INR 49 crores and INR 19 crores, respectively. This is on the back of high volume growth and improved product portfolio by adding new products across all bottom by categories.

Our revenue compared to Q2 FY '20, which is pre-COVID level, have increased by 55% for Q2 FY '23. SSSG per EBOs stood at 31% for Q2 FY '23 compared to pre-COVID levels, which is Q2 FY '20. For the quarter, our volumes have grown by 34% compared to last year. And compared to pre-COVID levels, our overall volume has grown by 37%. Our product being core and essential to consumers has enabled us to operate on a business model where we offer limited discounts and the sale of product is typically at full price which is in our experience results in greater profitability. 96% of our sales for H1 FY '23 EBO are at fullsales. In addition, our EBOs average selling price has increased continuously primarily on account of value-added products that we have introduced as part of our portfolio. Our ASP for H1 FY '22 stands at INR 709.

As mentioned on our last call, the company has invested in brand building initiatives, which will help us gain visibility and help us focus and grow our online sales channels to benefit from the evolving customer trends in the market. During the last quarter, we launched three films on a Pan-India platform. Each of our film showcases the individual triumphs and journeys of women. The links to all the advertisements has been added to the press release and presentation for your reference.

During Q2 FY '23, the company added 36 EBO stores and a total of 66 stores in H1 FY '23. This takes our EBOs over count to 569 as of 30th September 2022. As guided earlier, we will add 120 to 130 stores in fiscal year '23, which is in line with our growth expansion plan. We are also looking at omni-channel engagement for a seamless consumer experience, building on a technology-driven growth strategy to reach consumers across all cities. We are leveraging technology to bring cost efficiency and enhance customer experience. We intend to further improve our operating efficiency and ensure efficient supply chain management through global

best practices. We will look to upgrade our warehouse to optimize our inventory and supply management.

Coming to working capital front, we have reduced our working capital days to 137 days as on 30th September 2022 as compared to 190 days as on 31st March 2022. We are further working on it to reduce it. On the cash flow front, we have delivered a positive operating cash flow of INR 36 crores for the first half of the year. We look forward to continuing our innovative and creative approach and launch more designs while providing more brand destination for our customers, which will help us grow and gain market share in the coming years. Our focus will be to target customer acquisition to drive sales to our website and online marketplaces. In addition, we intend to invest in content generation build engagement with a younger audience.

With this, I would like to hand over the call to our CFO, Mr. R. Mohan for the update on Q2 and H1 FY '23 results and financials. Thank you.

R Mohan:

Thank you, Gautam, and good evening, everyone. The company has posted a strong performance for the quarter and the half year ended 30th September 2022, backed by the increased demand across product categories. Our revenue for the quarter stood at INR 166 crores as against INR 112 crores in Q2 FY '22, a growth of 48% Y-on-Y. Gross profit at INR 99 crores, a growth of 50% year-on-year with GP margins of 59.6% for the quarter. Our EBITDA for the quarter stood at INR 49 crores as compared to INR 35 crores in Q2 FY '22, a growth of 40% Y-on-Y. Our EBITDA margin stood at 29.8%. The Profit before tax for the quarter stood at INR 25 crores, a growth of 37% Y-on-Y, whereas profit after tax for the quarter stood at INR 19 crores, a 4% Y-on-Y growth from Q2 FY '22. PAT margin stood at 11.6%.

Coming to the H1 FY '23 performance. Half yearly revenue stood at INR 331 crores as against INR 143 crores in H1, a growth of 131% Y-on-Y. Gross profit stood at INR 199 crores, a growth of INR 139 crores Y-on-Y, with a GP margin of 60.1% for the quarter. Our EBITDA for the half year stood at INR 102 crores as compared to INR 29 crores in H1 FY '22, a growth of 250% Y-on-Y. Our EBITDA margin stood at 31%. Profit before tax for the half year stood at INR 57 crores, whereas PAT for the half year stood at INR 44 crores. PAT margin stood at 13.2%. Cash flow from operations increased to INR 36 crores and cash and cash equivalent as on 30th September 2022 stood at INR 131.4 crores. Our ROCE and ROE on an annualized basis stand at 20% and 18%, respectively.

With this, we will now open the floor for the questions.

Moderator:

Ladies and gentlemen, we will now begin with the question-and-answer-session. Anyone, wishing to ask a question may press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Manish Poddar from Motilal AMC. Please go ahead.

Manish Poddar: So just wanted to understand between Q1 and Q2, is there a material difference in the mix which we offer?

Gautam Saraogi: You're talking from a sales perspective, Manish?

Manish Poddar: Yes.

Gautam Saraogi: Yes. See, Manish, see, for us, generally, Q2 is weaker than Q1. See, for us, if you take the four quarters, right, Q1, Q2, Q3, Q4. Q3 is the best quarter, followed by Q1, Q2 and Q4 are usually the weakest quarters in retail in general for apparel. And that is why if I take store future present in Q1 and Q2, there will be a dip in revenue for those stores in Q2 because of off-seasonality. So, the margins in Q2 will be weaker compared to Q1. For us at an overall company level, our sales have not gone down because we've added new stores. But if I take the same stores which are present in Q1 and Q2, there will be a dip in revenue in Q2. That's just because once the ESSO gets over in July, August, September usually are dull months in retail. And the same thing goes with February, March in Q4.

Manish Poddar: And is there a difference in mix of products also, let's say, in terms of consumer uptick?

Gautam Saraogi: See, in our case, there's no real shift in product, from a product mix perspective, our product mix sales are pretty similar in all the four quarters. So there's no real change in that. It's just that the volumes dropped in Q2 and Q4 because of lower footfall.

Manish Poddar: So what really explains the, let's say, the pricing, if you see the sequential pricing, I think Q1 was about INR 718 crores and now first half, you said it's about INR 709 crores. So Q2 would be, I think, INR 700 crores-odd number. So I'm just trying to understand, is this largely ESSO-led or...

Gautam Saraogi: I'll explain you.

Manish Poddar: I'll take price correction.

Gautam Saraogi: No. We have not taken any price correction. You see our sales, right? So usually 3% to 4% of our sales, we do our EOSS sales. So a good amount of the sales comes in Q2, in Q2 and Q4. And that is why it affects the ASP for that particular quarter. On an annualized basis, It will become the right number. It's just that on that particular quarter, the ASP falls because EOSS tends to be little higher for us in Q2 and Q4, respectively.

Manish Poddar: And that explains the gross margin correction?

Manish Poddar: Yes.

Manish Poddar: Because despite a higher set of EBOs, the gross margin correction is largely because of that...

Gautam Saraogi: Because of that. Because Q2 is usually we offer our EOSS, which is a little higher than other quarters because EOSS usually happened the highest during July.

- Manish Poddar:** Just a couple of them more. First is on the SSSG part, so I think the SSSG still is about 30%-odd. And I think the pricing was about a 25% comp 31% was the SSSG, I think, so SSSG still, the volume number is still in the 5% to 6% band? So is consumer offtake not really there? What is the sense on ground from it?
- Gautam Saraogi:** So Manish, we delivered 8% volume growth compared to pre-COVID. And considering the way, if consumer demand has definitely come back, and look, it's improving every quarter. Since now we have four quarters off from COVID, every quarter, the consumer demand, overall sentiment in the market is improving. So in that line, keeping in that line, we have done a 8% volume growth, which as management, we feel is a very good number. Because at the end of the day, apart from the 8%, we've added so many other stores. We have reported an overall volume growth of more 30%. So keeping our overall number of stores, how much we have added 8% for the like-to-like stores which were present three years back, is a good number as management.
- Manish Poddar:** And just one last one for, let's say, your forte into a number of cities in the last two quarters, the similar trend which you've done in the past. So from an LFS perspective, just if you could help me understand, let's say, you're one of LFS, what sort of volumes do you keep in year 1 or, let's say, from an offtake perspective? And how does that ramp up in year 2 or year 3?
- Gautam Saraogi:** It's very hard to say, you're asking about new LFS stores, right?
- Manish Poddar:** Right. So because the number of doors is added, when I take the volume for LFS, if I do the same thing for EBOs, your sequential trends are fine, but in the volume per LFS to take a rough number, that has dropped sequentially, material by about 15% to 18%, if I compare it to the previous quarter. I'm just thinking of rough card numbers. So math can be wrong.
- Gautam Saraogi:** You're talking about inventory per store?
- Manish Poddar:** Yes. So I'm taking the average pricing for the EBO, and I'm rolling it across the channel. And I'm trying to get volume per EBO and volume per LFS.
- Gautam Saraogi:** But Manish, you can't take the EBO average pricing. Because see, what we realized in our books revenue is different. LFS Margin. So the ASP for the LFS will be different than the ASP of the EBO.
- Manish Poddar:** Okay. Let me take that offline. I think it...
- Management:** I will clarify your doubt, Manish. No problem.
- Moderator:** Thank you. A reminder to the participants, anyone wishing to ask a question may please star and one. The next question is from the line of Binoy from Sunidhi Securities and Finance Limited. Please go ahead.
- Binoy:** A couple of accounting questions. What is the Ind-AS impact on PBT for Q2?
- Gautam Saraogi:** That number, Mr. Mohan, you have that number?

- R Mohan:** No. That it cannot be bifurcated to quarter-wise. Basically, it is annualized figures on Ind-AS.
- Binoy:** Understood. Annual, what would be the impact, if you could help me with that?
- R Mohan:** Around INR 8 crores to INR 9 crores would be the bottom line impact when the Ind-AS concern.
- Binoy:** Understood. And sir the P&L loss on the lease termination that occurs due to IND AS accounting, Do you normally book it quarterly or book it for the full year.?
- R Mohan:** No. Every quarter, we'll be booking, but that is an estimation as on that quarter end.
- Binoy:** so you have about INR 130 crores of cash balance. And when I look at your other income, which is inclusive of this gain and loss on lease amination just too low. So that's the reason I'm kind of a bit surprised.
- R Mohan:** The point is that this lease rental accounting, it varies even if you do a monthly, if you do a quarterly, if you do annualize, it varies. But at the end of the year, what would be the effect would be that it is a total for the year because it changes based on the renewal changes based on the earlier closure or something like a change in the terms and additions all those.
- Binoy:** And sir, once again, if you could just repeat the volume growth Y-o-Y and same-store sales volume growth over Q2 FY '20.
- Gautam Saraogi:** So the volume growth compared to last year is 33% Y-o-Y and compared to pre-COVID to 37%.
- Binoy:** Sorry, how much? 27%, and what would be the like-to-like volume growth over Q2 FY '20?
- Gautam Saraogi:** Not 27%, 37% compared to pre-Covid quarter two.
- Binoy:** But what would be the like-to-like growth, like-to-like volume growth?
- Gautam Saraogi:** Like-to-like same-store sales growth is 8% compared to book.
- Binoy:** Gautam one question. On the ad spend part of the business, I believe we've proved in spring marketing capital for our campaigns. And I was just wondering the way they work is they do also pick up, invest in the companies in their client companies. So is anything of this sort of an arrangement is being looked forward to
- Gautam Saraogi:** No. It was just a onetime association with springcapital or the creation of the item. So premarketing has helped us create the film to a production house and it was only a onetime project. So there is no ongoing association with spring. Also, the just further correct on this, we also consult many companies without investment.
- Binoy:** So are we planning to drop them...
- Gautam Saraogi:** No, that was only a 1. We are not looking to further associate it. I mean if there is a need, we will do another project with them, but there's no ongoing retainer in the as what I'm saying.

- Moderator:** Thank you. The next question is from the line of Pathanjali Srinivasan was from Mirabilis Investment Trust. Please go ahead.
- Pathanjali Srinivasan:** I wanted to understand why our gross margin has not changed much despite higher EBO sales?
- Gautam Saraogi:** See, the EBO mix has slightly improved if I compare to last year. And also, like I mentioned earlier in the call, quarter two usually is the time when we do a little bit of EOSS on a certain colors and product, so that had a little impact, but also the main reason why it is aimed at the 60% level is because our EBO mix has dramatically not changed. Our view mix has actually increased from 72% to 74%.
- Pathanjali Srinivasan:** And could you just tell me what is the rent we paid for the first half of the year?
- Gautam Saraogi:** Sorry?
- Pathanjali Srinivasan:** The rent we paid for the first half of the year?
- Gautam Saraogi:** We would have paid about INR 43 crores of rent. This is before Ind AS, we would have paid about INR 43 crores of rent
- Pathanjali Srinivasan:** Just the regular...
- Gautam Saraogi:** Yes, rent payout rent payout was 43.
- Pathanjali Srinivasan:** And any store guidance for the current year?
- Gautam Saraogi:** Or the number of stores we're going to add Yes. So we have given a guidance of 120 to 130. So we will be maintaining that guidance. So we have opened about 66 in the first half. So we're looking to open another 60 to 65 in the second half.
- Moderator:** Thank you. A reminder to the participants anyone wishes to ask a question, may please press star and one. The next question is from the line of Philoni from Pi Square Investments.
- Philoni:** I did not catch we are doing expects average selling size for the FY '22 and I also wanted to know...
- Moderator:** Sorry to interrupt ma'am, there's a lot of disturbance from your line.
- Philoni:** The top and bottom line for FY'22?
- Gautam Saraogi:** So see, on the ASP part, we it's very difficult to estimate what is going to be the ASP, because based on new products and new pricing of the new product. So it's very hard to say what is going to be our ASP at the end of the year and the end of the financial year because that also depends on this product sells more does the regular product sells more, does the regular chudidar sell more or a Jeggins sell more, its very hard to estimate on that basis, because it fluctuate based on product mix. But as far as top line is concern, we are at a monthly average revenue of INR 55 crores to INR 60 crores. So we are looking to do a revenue of more than 625

- Philoni:** On the bottom line?
- Gautam Saraogi:** We will do a PAT. We will be looking at the PAT of around 13% to 14% of PAT.
- Philoni:** And if possible, I understand the ASP for the end of the quarter not possible and what will be ASP for the...
- Gautam Saraogi:** So it's very difficult to estimate that because it depends which product sales. So I mean, it's very hard to estimate that. But it will be, from what I understand, it will be in the range of between INR 715 to INR 730 it will be in that range.
- Philoni:** Okay. And any other guidance...
- Moderator:** maam we request you to for that you return to the question queue. We are unable to hear you clearly. Thank you. The next question is from the line of Ankit Kedia from Philip Capital. Please go ahead.
- Ankit Kedia:** Sir, my first question is on your pledges. You have highlighted three to six months of pledges would be reversed. Just wanted to know the status of that?
- Gautam Saraogi:** For the question. So right now, the status of the same, we haven't been able to close the pledge yet. We wanted to close this within six months, which you rightly said, we are looking to close it as soon as possible. We, as a family is working on it, and it continues to be short term in nature, but hopefully, we will close it soon.
- Ankit Kedia:** Sure, my second question is regarding the falling fall in cotton prices. So currently, how much of the high cost inventory is there in the system? And when will the benefit of the low cotton prices start to come in? And while this year, we are putting in 4% to 5% of A&P spend, is the cotton prices continue to fall next year. While on last call, you alluded, you will not take a price cut but next year, the way cotton prices are, do you think you will continue to do A&P spend to keep the margins with us?
- Gautam Saraogi:** Yes. Okay. So these are two separate questions. So first, I'll clarify on the inventory. So it's very hard to say. See, I think most of our inventory would be at the older price. The price fall, which has happened has just recently happened. So now whatever we will be sourcing new inventory will be at the new price. So this transition will take some time. It will take a few quarters for this transition to happen and provided the cotton prices stay as low as it is now, the advantage in the gross margins will eventually come.
- It will not come immediately because we have already inventory in hand of the older price, now as far as A&P is concerned, see, we had about 4.5% spend in the first 6 months. So next year A&P spend strategy we have really not made, but I can guide for the next six months. Next six months, the A&P spends are going to be considerably lower because as our advertising strategy was, we wanted to do a majority of our A&P spend before festive. Because festive is our best quarter, right? So we wanted to do before festive.

So in the second half of the year, the A&P spends is going to be considerably lower. So on a blended basis for the financial year; I see our aim we spend between 3% and 4%. I don't think it will cross 4, it will be between 3% and 4% because the second half of the spend will be lower. As far as next year's A&P budget is concerned, that is something which we are yet to arrive and yet to discuss or yet to strategize. So it's very hard for me to comment on next year.

But I can tell you one thing that we will not cross the 4.5% mark. 4.5% is the feeling what we are looking at whether it's going to be 3% or whether it's going to be 3.5% or 4%, that is something which we have to strategize for next year.

Ankit Kedia: Sure. Sir, just on the inventory part again. Can you quantify the amount of high-cost inventory in terms of days which is there in the system RM of finished goods, so we know that the gross margins would be slightly muted in a couple of quarters and then the benefit

Gautam Saraogi: No, Ankit. I'll tell you, look the prices of the cotton have just recently come down. So I would say more than 90% of the inventory would be at the older price, obviously, because the pricing has recently only come down. So like I told you, the newer inventory, which will start coming into the system only will be based on the newer price.

Ankit Kedia: And that would pretty must be utilized in Q4 or Q1 of next year? Is that assumption right?

Gautam Saraogi: Very difficult to make the estimate. Because we don't know. I mean, look, right now, the pricing has come down, yarn prices and cotton prices have been haphazard. So it's very difficult to comment on that.

Moderator: Thank you. The next question is from the line of Bismith Nayak from RW Advisors. Please go ahead.

Bismith Nayak: Yes. Thanks for the opportunity. So on SSG the 30% figure that we see Y-o-Y, if I'm not wrong, that is 25% price and 5% volume, correct?

Gautam Saraogi: No. See, the SSG, what we have been talking about on the call is based on pre-COVID level Y-o-Y. It's not compared to last year because last year was impacted by CoVID So the volume growth was 8% and SSG in value terms was 31% compared to Q2 FY '20 pre-COVID.

Bismith Nayak: Understood. Okay. So Q2 FY '20 okay. And on the gross margin that we see, you said EBO mix has slightly improved from 72 to 74. That is one.

Gautam Saraogi: Correct.

Bismith Nayak: One other factor you mentioned, I could not get it. Can you please repeat?

Gautam Saraogi: No, another reason why the gross margin is slightly impacted in Q2 is because usually, as a brand are -- whatever little EOSS we do majority of the EOSS comes in Q2. And that's why it would have impacted the gross margin a little.

- Bismith Nayak:** And you said August, September in Q2 and February, March in Q4 are dull months, right?
- Gautam Saraogi:** Are dull months. Absolutely.
- Bismith Nayak:** Okay. And just one last thing. If you can repeat FY '23 guidance. There was some background noise.
- Gautam Saraogi:** No, no. We are currently at a monthly revenue of about INR55 crore to INR60 crore right now. So FY '23, we should do a number greater than INR625 crore to INR630 crore. On a conservative basis, we should do greater than that.
- Bismith Nayak:** Okay. And PAT margin-wise?
- Gautam Saraogi:** PAT margin, we are having the same guidance of 13% to 14% of PAT.
- Bismith Nayak:** Understood. Thank you, sir. That's all from my side.
- Moderator:** Thank you. [Operator Instructions] The next question is from the line of Binoy from Sunidhi Securities and Financial Limited. Please go ahead.
- Binoy:** Yes. Hi. Question on the store additions. So we've guided that we'll do about 120 to 130 stores a year. In the past, you said that in order to open 120 to 130 stores, you'll have to evaluate roughly 900 to 1,000 options. I just want to understand what is your in-house bandwidth? How many options your team can evaluate in a single year?
- Gautam Saraogi:** See, currently, we are evaluating about 1,000 options a year currently. See our team strength is pretty good. We have a big BD team. So we are evaluating about close to 1,000 options right now. Now we are continuously adding new BD people in our team. So we are looking to increase this pool of options from 1,000 to say 1,500. The minute we make the 1,500, the 120 to 10 number also will increase.
- Binoy:** And by when can we see your bandwidth increasing toward 1500 options?
- Gautam Saraogi:** It will take over a period of time, it will at least 1 year, 1.5 years or 2 for that kind of team to second. Because BD is a very specialized role. So it will take over a period of time. By the time it reaches that number.
- Binoy:** Okay. Understood. A small point on the advertising. So you said about 3% to 4% of sales for this year, and it will not be higher than 4.5% next year. Historically, it has been roughly about 2%, 2.5%. So let's say, not in the coming year, but after that, do we see it reverting back to 2.5% kind of levels?
- Gautam Saraogi:** No. See, we will end up always spending 2.5%, 3% Binoy. Because we as a growing brand, where we are building sales channels by adding stores, products, you have to invest on the brand. And that's a very important hygiene point for any growing brand. So from an advertising perspective, we will always want to maintain 2.5%, 3%.

Binoy: Understood. Yes. But that's what my question is that would you like to it revert back to 2.5%, 3%? Or would it stay elevated at, let's say, 4-ish percent?

Gautam Saraogi: No. See that we have to really strategize. It's very hard to say see this year, we had experimented with advertising before festivals-which has worked well for us, and we'll have to see the overall results and then take a call every year. But on a blended average, we will be in that range of 2.5% to 3%, sometimes maybe 3.5%. It will be in that range up to 4%. It's very hard to say whether it's going to be consistently 4% or is consistently 2.5%. It's very hard to give exact number. Because every year's marketing strategy and advertising strategy will be different.

Binoy: Okay. So now...

Gautam Saraogi: But one thing I can tell you out of certainty is that we will not be crossing the 4.5% mark. Because that is something which we don't look at.

Binoy: Understood. Okay. The other point was on the inventory. Right now, that you said that we have the old inventory and therefore it will be the lag before which we start the benefits of lower prices, lower yarn prices. But as a pricing policy, when you introduce new products or let's say, when you're pricing your products, would you retain this extra benefit or would you price your products also similarly so that the value quotient to the consumer is maintained?

Gautam Saraogi: See, that's a very good question. And I'll put it this way. We'll have to see steady state these prices, which have come down, how sustainable they are. So currently, if I'm going to be pricing the product, I would take the older price only into account because that has been the higher price instantly. Just right now the cotton prices have come down. We'll probably wait and see for a few months of sustainability of these lower prices. In these prices turn out to be sustainable at these lower prices, then the future products, what we are going to be launching, we are going to be taking the lower cotton prices into benchmark. So we'll have to see the sustainability of this price, which has reduced, before we can start treating that as a benchmark for our newer product.

Binoy: Okay. And the last question is on the promoter share pledge. The loan amount is about INR150 crore, so it still remains the same or has there been any change in this loan amount?

Gautam Saraogi: No. There is no change.

Binoy: Is the same, right?

Gautam Saraogi: Yeah.

Binoy: Okay. Thank you so much.

Moderator: Thank you. (Operator Instructions) The next question is from the line of Rajiv from DAM Capital. Please go ahead.

Rajiv: Yes. Good afternoon, sir. Thanks for the opportunity. Sir, on the rental side, you said INR 43 crore for first half, is it?

- Gautam Saraogi:** Yes, absolutely.
- Rajiv:** And then the same number for Q1 was? And this is the entire fixed part, right, which comes below EBITDA?
- Gautam Saraogi:** Yes. So yes, this is before in there, this is rent what is paid to the landlord at the moment So Q1 was INR 21.18 crore.
- Rajiv:** And on the markup strategy for your products irrespective whether it's Leggin or Plazo, you typically work with a 3x kind of market, right? Irrespective of price point?
- Gautam Saraogi:** Absolutely. That is a market markup achieved. And all our products have the same kind of markups on growth.
- Rajiv:** But as to protect, let's say, an entry-level price point, an alternative could be I just wanted to pick your mind on this part that already could be that you work with a lower markup on, let's say, the entry-level products and on the slightly premium categories, you work with a higher markup and the blended number still comes with the same thing, where there what you have chosen? I mean is there a rationale behind...
- Gautam Saraogi:** No, that rationale is a good rationale and I think that rationale is very true for many large formats. For brands for large formats, which have multiple product categories, they use that kind of a methodology where certain entry-level products are of two multiplier balance will be on four multiplier. But for a Vanilla brand, single category brand like us for us, we believe that a single multiple strategy would be better. But that rationale stands good. However, it's more true for the larger formats.
- Rajiv:** Okay. And I think there was a question on the LFS side. So if I simply do, for example, your LFS revenue divided by your average LFS store count, for Q1, that number was close to INR0.25 million. And this time around, it is close to INR0.19 million. So there is a close to 23% Q-o-Q drop and a similar number, let's say, on the EBS side is 1.6% drop. So that 1.6% drop actually is in line with your ASP fall. But this 23% drop on the LFS side is can you explain a what's happening there?
- Gautam Saraogi:** No. See, even on the EBO front, the ASP cannot be linked with the fall in sales. In the EBO front also, I don't have the exact number with me, but the fall of revenue for the same store, which was present in Q1 versus Q2, it will be a double-digit fall. It will not be a single digit for fall.
- So it cannot be looks at from an ASP perspective and then derive what is the fall in sales EBO, the ASP was more impacted because of the EOSS. But if I take the absolute sales value whether on a volume or value basis, for the same store, which was present in Q1 versus Q2, there will be a double-digit fall. I don't have the number handy with me right now, but there will be a double-digit fall. And the same thing stands would even for large format.

Rajiv: So on the denominator side, what is taking the EBO count and actually averaging for the last two quarters, for example, while I'm being for Q1, I'm doing Q4 plus Q1 combined and averaging that and then for Q2 and let's say, first half, what is the average store count? And same thing I'm being for LSS. So kind of taking parity on both that numbers and that's why the fall in LSS is currently sharper.

Gautam Saraogi: But I'm not very surprised with the 23%. I don't know how you've derived the 23%. But at the outset, that number does not look wrong to me because there is usually a fall in from Q1 to Q2. So I'm not surprised that there is a fall.

Rajiv: Right.

Gautam Saraogi: I'm sorry, I don't have the number handy right now for the fall. Otherwise, I would have clarified it. But at the outset, there will be a fall, I mean it's very difficult to exactly put the number. I don't have it in hand right now. I'll probably clarify with you after the call. I can send it through SGA and clarity on that.

Moderator: Thank you. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.

Ankit Kedia: Sir, have you seen any divergence in demand in Tier 2, Tier 3 cities versus the top 6 or metro cities?

Gautam Saraogi: Not really Ankit, we are seeing it's pretty much in line with what we have seen in the last few quarters. I mean look, Tier 2, Tier 3 has been improving for every one in retail. But otherwise, it's pretty much inconsistent from what we have seen in the last few quarters. There's no real shift as much.

Ankit Kedia: Sure. And sir, on the LSS side, you have seen a strong growth in number of counters nearly 180 counters in the first half. What is the target you have in mind for this year or next year? And what is the opportunity you see in LFS over the next three years? So Reliance perspective and ex-Reliance also because the dependence on Reliance is very high.

Gautam Saraogi: So I think this is a good question, and I'm happy to clarify this. See we don't have an outer limit number budget on how many stores we want to add on the LFS. Usually, from what I've seen in my experience, we've added about 100 to 150 stores maximum in a year, every financial year. But many of our large format stores like Reliance, Pantaloons and all are growing very fast. Now what our LFS does is? What a Reliance on Pantaloons was similar LFS does and gives us entry into newer towns where we don't have an EBO. So it gives us the entry into newer markets.

And that is why we selectively grow with these large format stores in the cities and stores we want to sell it. So every year, wherever we find the right opportunity of entering new towns or markets where we are weak, we can enter through a large format, so we will definitely explore those markets.

Like in Reliance today, our penetration in Reliance would be having close to about 2,000 stores, we are present in probably about 1,200 of them currently. We have an opportunity of 800 stores but that 800 also, we will selectively do what we feel is relevant to us when that opportunity is weaker.

And as far as Pantaloons is concerned, Pantaloons is concerned, see, the overall stores are more than 200. We are there in about 30 to 40 stores. With them also we will selectively grow. So if I have to summarize LFS growth in a nutshell, it will happen, but it will be a selective growth based on which markets, which tier cities, which area and there are many permutations combination.

Ankit Kedia: And sir, has reclassified the number of stores across cities, Tier 1, Tier 2, Tier 3, Tier 4 because Q2 presentation and Q1, the numbers are very different.

Gautam Saraogi: The overall number is the same, Ankit, but what we have done is recently we just re-looked at population, cities and we just reclassified Tier 1, Tier 2, Tier 3 because that was the old classification what we are following. And it was high time we changed the classification. So we did a little bit of research internally, this is not done on an outside study. We have done this recent study, and we have reclassified what population goes for a tier wise.

So I'm happy to explain that, I think some of the calls. So any city which has a population of more than 2 million will be classified as Tier 1, any city which have a population of 0.5 million and up to 2 million will be classified as Tier 2, and any population which will be any town population will be 0.1 million to 0.5 million will be classified as Tier 3. And anything which is less than 1 million, basically, anything with less than 10 lakh population will be classified as Tier 3. Based on these classifications.

R.Mohan: 1 lakh.

Gautam Saraogi: Based on these classifications. Yes, sorry. My bad. Less than 1 lakh, 0.1 million ie., less than 1 lakh will be Tier 4.

Ankit Kedia: Sure. So incrementally for the EBO expansion, because they're going to add 120-odd stores for next couple of years also, each year. Where would these stores typically come in?

Management: I would say it's very hard to say because we are looking to expand everywhere across all zones. But I would be getting 50% to 60% of them would be coming from Tier 1 and top 2 and top 8, 50% of them.

Moderator: The next question is from the line of Vijay Chauhan from Right Horizon. Please go ahead

Vijay Chauhan: Yes. Thank you for the opportunity. So I just have a couple of questions. First is like, what is the steady state EBITDA margin that we are targeting internally?

Gautam Saraogi: So Vijay, we are looking at a steady state EBITDA margin post- these days of about 31% to 32% on an annualized basis.

- Vijay Chauhan:** Right. And my second question would be like somewhere in this concall, you mentioned the INR 55 crore to INR 60 crore of monthly run rate we are maintaining. So is it as of October month or the Q2 quarter end?
- Management:** Sorry?
- Vijay Chauhan:** The monthly run rate that you mentioned of INR55 crore to INR60 crore per month. So is it as of September or is it for the October month?
- Gautam Saraogi:** No, the quarter two trend is continuing in quarter three and getting better.
- Vijay Chauhan:** Okay. So for the October month, it has been higher than the August and September month, which is comparatively dull.
- Gautam Saraogi:** Absolutely. Because October is festive, the October month will be higher than September, absolutely.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.
- Gautam Saraogi:** Thank you, everyone for joining us. I hope we've been able to answer all your queries. We will look forward to such interactions in the future. We hope to live up to you the expectations of you all in the future. In case you require any further details, you may contact Mr. Deven Dhruva from SGA, our Investor Relations partner.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Go Fashion India Limited that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.