August 16, 2022

To,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C-1,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400051

NSE Symbol: MANYAVAR

To,
Dept. of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai – 400001

BSE Scrip Code: 543463

Dear Madam / Sir,

Sub: Transcript of Earnings Call of Q1 FY 2023

Ref: Our Letter dated August 05, 2022 regarding prior intimation of Conference Call for Q1 FY23 financial results of the Company

In accordance with Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Conference Call, organized and held on Tuesday, August 09, 2022 in relation to the operational and financial performance for the Quarter ended June 30, 2022 (Q1 FY 23).

The transcript can also be accessed on the Company's Website, from the link given below
https://www.vedantfashions.com/investor-presentation

We request you to kindly take the aforesaid information on record and disseminate the same on your respective websites.

Thanking you.

For, **Vedant Fashions Limited**

VEDANT FASHIONS LTD KOL-15

Navin Pareek
Company Secretary and Compliance Officer
ICSI Membership No.: F10672

"Vedant Fashions Limited Q1 FY2023 Earnings Conference Call"

August 09, 2022

ANALYST: **MR. NIHAL MAHESH JHAM - EDELWEISS SECURITIES LIMITED**

MANAGEMENT: **MR. VEDANT MODI – CHIEF MARKETING OFFICER – VEDANT FASHIONS LIMITED**
MR. RAHUL MURARKA – CHIEF FINANCIAL OFFICER - VEDANT FASHIONS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Vedant Fashions Q1 FY2023 Earnings Conference Call hosted by Edelweiss Securities 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 presentation concludes. 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 Mr. Nihal Jham from Edelweiss Securities. Thank you and over to you Sir!

Nihal Mahesh Jham: Thank you Ranjan. On behalf of edelweiss I would like to welcome you all to the Q1 FY2023 Results Conference Call for Vedant Fashions Limited. From the management, today we have Mr. Vedant Modi – Chief Marketing Officer and Mr. Rahul Murarka – Chief Financial Officer. I would like to hand over the call to Mr. Vedant Modi for his opening remarks. Vedant, over to you.

Vedant Modi: Thank you Nihal. Good afternoon and a warm welcome to all the participants'. Thank you for joining us today to discuss the Vedant Fashions Limited Q1 FY2023 performance and results. I am joined by Mr. Rahul Murarka, the Chief Financial Officer of our company.

I hope everyone got an opportunity to go through our financial results and investor presentation which has been uploaded on the stock exchange as well as on the company's website.

Vedant fashion is the category creator and market leader in branded Indian wedding and celebration wear industry. We have grown from modest roots to become India's largest celebration wear entity. We have strategically created a house of brands which caters to the need of different demographic and geographic segments. Owing to the efficient governance model, the performance of all our brands has been motivating in this quarter. As a company our governance model is firmly based on 3 Ps. People: We invest in relationships, be it our customers, our employees, or any of our stakeholders. Products: Our mantra for product is twofold, superior quality and value for money, and finally profits: This P is a litmus test for the above two piece, it indicates the health of the company.

Allow me to take you through the highlights for quarter ended June 2022. We are happy to report an efficacious and satisfying quarter in terms of retail sales, revenue growth, best-in-class margins, and return metrics. All of these despite an adverse and challenging macroeconomic environment and inflationary conditions leading to pressure on discretionary spends. We are witnessing growth momentum through increased efficiencies and establishment of a variable model firm. We as a company have come stronger out of COVID and have surpassed pre-COVID levels. In terms of overall customer sales growth which stands at 60% over quarter one of financial year 2020 and 119% over quarter one of financial year 2022. The SSSG growth has been 25% over quarter one of financial year 2020 which was pre-COVID levels and 105% over quarter one FY2022.

The consumer demand for ethnic wear is also showing great recovery and we are gearing up for a promising festive and celebratory occasions ahead in this year. On the network expansion front, in Q1 we opened new stores of around 10000 square feet and have a very strong and healthy pipeline for new rollouts planned for the financial year.

As of June 2022 VFL's EBO area stands at 1.28 million square feet globally across 603 stores. The national stock footprint tally is at 590 stores spread across 228 cities and towns. We have also opened one new international store in UAE in Abu Dhabi in this quarter and now has 13 international stores spanning across three countries.

Efficient and innovative marketing has been the lodestone in our journey to building great brands. Keeping to the same tenet, we are glad to share an instance in which our marketing campaign for Mohey, DulhanWaaliFeeling targeting brides to be featuring Ms. Alia Bhatt was a huge success. We have witnessed greater acceptability for all our brands, which is a hypothesis that is supported by a strong traction and positive sentiment. Going forward we are optimistic of having a favorable year ahead.

With this, I would now hand over to Mr. Rahul Murarka to take you through the financial performance of our company.

Rahul Murarka: Thank you Vedant, Namashkar and good afternoon everyone. I would like to highlight key financial performance for Q1 of FY2023 based upon the consolidated financial statements.

The company has continued to demonstrate strong financial metrics and return during Q1 of FY2023. Starting from comparisons between Q1 of FY2023 and Q1 of FY2022. The company has reported revenue from operation of 325 Crores in Q1 of FY2023 delivering a very strong growth of 103% compared to Q1 of FY2022. The company continues to report very high industry leading gross margin of around 68.8% during Q1 of FY2023. The EBITDA margins were around 51% and the EBITDA stood at 165 Crores for Q1 of FY2023 with a growth of around 106% compared to Q1 of FY2022.

The reported PAT during Q1 of FY2023 is 136 Crores which has significantly increased by around 122% compared to Q1 of FY2022. The company reported best in class PAT margin of 31% and the profit after tax stood at 101 Crores during Q1 of FY2023 with a strong growth of 123% compared to Q1 of FY2022.

The company has a track record of generating significant cash driven by a healthy cash conversion ratio. During Q1 of FY2023 the company continued to generate high cash conversion ratio of approximately 146%, which has been computed based upon operating cash flow over PAT.

With optimization in working capital we have been able to achieve industry leading trailing 12 month ROCE of approximately 98% during the period ended June 2022. After a long time during Q1 of FY2023 we have witnessed a normal quarter without COVID restrictions which synergized well with our robust ecosystem leading to efficiency in operations and resulting in improvement in working capital days from 94 days in FY2022 to 65 days approximately in Q1 of FY2023. This has been computed based upon the trailing 12 months revenue and internal MIS reporting format. The net receivable days based upon the trailing 12 months revenue has also reduced to 35 days approximately in Q1 of FY2023 from 53 days in FY2022. The net receivable days has been computed after reducing deposit receipts from franchisee and provision for sales return from trade receivables.

The sale of our customers were around 500 Crores during Q1 of FY2023 with a significant growth of 119% over Q1 of FY2022. The company also reported very strong SSG growth of 105% over Q1 of FY2022.

Now on comparing our Q1 FY2023 performance this pre-COVID levels of Q1 of FY2020 whose figure has been considered basis internal management MIS. Our revenue from operations significantly grew by approximately 58% and we witnessed significant growth in PAT by approximately 81% over Q1 of FY2020. Our sale of our customers significantly grew by approximately 60% with a strong SSG growth of around 25% over Q1 of FY2020. Thank you and Namashkar everyone. We can now move to the Q&A session.

Moderator: Thank you. We will now begin the question and answer session. First question comes from the line of Gaurav from Axis Capital. Please go ahead.

Gaurav Jogani: Hi, and thank you for the opportunity Sir, and congratulations on a good set of results. My question is first on the strong expansion in the gross margins. We have seen the gross margins expand now to 68.8% and commensurately our EBITDA margins is also now 50%

plus. So my question is how much of this is a phenomena of the season of the mix and what could be a steady state levels that we can expect going ahead.

Rahul Murarka: As a company our endeavor has always been to improve our gross margins and improve efficiency in margin. We have been able to do this in the past and our endeavor will also be to continue to do this in future to improve in our margins. However on a quarterly basis the gross margins may vary from one quarter to another quarter, and hence we should look at the gross margin level on an annual basis. As far as your question on steady state gross margins are concerned. No, we do not want to give any guidance, but historically we have seen that we have been able to achieve very high gross margin of 66%, 67% and we do not find any challenge as of now that in achieving the similar levels in future as well.

Gaurav Jogani: But going by your Q1 performance itself, I mean, it looks like I might as well be reach the 66%, 67% gross margin levels at least for this year because if it has to go below that the rest of the nine months might do really bad in terms of the GM's.

Rahul Murarka: So as I mentioned our thought would be to look at the gross margin at an annual level because the quarterly gross margin may vary from one quarter to another. So maybe we can discuss on the gross margins when we achieve the year end gross margin levels.

Gaurav Jogani: Sure that is it and my next question is with regards to the store opening. So one we have added around 10000 square feet in terms of the stores whereas we have added 8 stores so average square feet comes to around 1250 square feet for the new stores. Also the number of store openings in terms of square foot addition has been only 10000, so on the both the fronts in terms of the store sizes and in terms of the square feet addition. If you can help us how can we look it going ahead.

Vedant Modi: When we talk about the 10000 square feet number which was the net opening for this quarter. There were about eight stores opened and some of those stores that were added in this quarter were also SIS stores which are typically smaller on average about 500 odd square feet like we have been mentioning for a long time now that typically the newer stores which we will open which are exclusive brand outlet stores not the SIS version of it will be 2000 or more than that typically unless it is a one-off tier 3 or a tier 4 city that we are entering. So the plan is to open larger stores as we move forward. Now with concerns to the 10000 square feet number which we have added in this quarter typically because Q2 is a weaker season compared to the rest of the year. We tend to add majority of our stores by the end of Q2 or start of Q3 and we have an extremely strong and healthy pipeline which you will start seeing in the coming few quarters. I think we are very well poised to open a lot of stores and a very high number of square feet in the coming seasons.

Gaurav Jogani: Sure that is helpful and just a follow up on this one. I also see that you have added five new cities during the quarter. So if you help us which are these cities, are this are tier two, tier three towns. How are we looking in terms of the city additions, if anything on that.

Vedant Modi: Sure, so the cities we entered so the city with the highest population was Balasore, with a population of about 23 odd lakhs while we went down to a city called Bhimavaram which is at a population of 108000 from the last population records we have. I hope that once the new census gets updated which is I think in two years now the numbers for population will be a lot more accurate. So I think we continue to open stores in newer cities. There are some tier 2 cities that are left to come up, very few of them, but majorly it will be tier 3 and tier 4 towns that we entered as new cities.

Gaurav Jogani: And just one last bit if I can pull in. In terms of across the retail spectrum we have seen that this quarter was aided by a strong wedding season as well as some bit of pent up demand also flowing through. So if you can highlight on the demand front how has these two aspects played out during the quarter.

Vedant Modi: I think demand was very strong across channels and we were able to witness a lot of walk-ins, we were able to witness good increase in volumes and a good increase in a merchandising mix. So I think all those levers like I mentioned in the last quarterly call also that this is the first quarter that we saw after almost eight to nine quarters of disruption when the big fat Indian weddings were not allowed. So it was great from all perspectives and we are very confident about moving into the future with such trends.

Gaurav Jogani: Sure, thank you and that is all from me.

Moderator: Thank you. Next question comes from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Hi! All, congrats on a good set of numbers. I just wanted to know your per square feet sales, which you do typically in a normal year in Q1. Is that what percentage higher or lower than the full year sales per square feet.

Vedant Modi: The way I would like to answer this question is typically when we look at an historical average of quarter one out of the year it is about 24% of our business. So that is a metric which we can use to kind of calculate.

Percy Panthaki: This is the total sales or this is the sales per square feet you are talking about.

Vedant Modi: This is the total sales, so typically 24% of the year's total sales would come from quarter one.

Percy Panthaki: Secondly can you give me an idea of whatever growth you have done this quarter Y-o-Y you have grown a 100% plus. How much of the growth is from a pure price increase angle how much of it is a mix and how much of it is volume rough estimates of the breakup of this.

Vedant Modi: Sure, so about our overall SSSG was about 105.2% when we break that down into volume and ASP, volume growth was at about 102.3% and ASP growth was about 1.4%. So this is at a company level, we witnessed very good growth in terms of our average basket size numbers and different sort of parameters that we track at the store level and at a product level. So all of those work in our favors.

Percy Panthaki: So basically you are saying that the average bill size has gone up. So people are purchasing either more number of items or more premium products. Is that the right way to look at it?

Vedant Modi: Not exactly because last year the same quarter was a COVID impacted quarter. So the walk-ins were left. So of course we saw tremendously a lot more walk-ins coming in from last year and that is why you will see that because a lot more customers walked in we were able to have very good sales. So when we look at average basket size internally we break it down into average basket size of a groom walking into our stores and the average basket size of a non-groom walking into our store. As this was a normalized year, the walk-in numbers of non-grooms was higher compared to last year when it was a COVID impacted quarter and that is why we were able to witness good average basket size growth within these each segment. So overall each metric of the business was performing pretty well. So we were able to bring in more consumers and consumers within the segment that we operate in, which is groom and non-groom, we had a better basket size.

Percy Panthaki: And this 1.2% or 1.4% ASP growth that you are saying, that is your pure price increase or it includes a mix effect in this.

Vedant Modi: So, like we have been mentioning we do not usually incur a direct price increase into our products. It is almost entirely a change in merchandising mix that is a continuous effort.

Percy Panthaki: Because I thought that a lot of your products SKUs are long-running it is not fashion, it is not fast fashion or seasonal that your SKUs keep changing so whatever SKUs you had let us say two years ago a large part of them would still continue this year. So if that is the case then the price increase would have to be in those SKUs only right.

Vedant Modi: That is not exactly how the case is. In terms of change in mix, it does not happen let us say after two years it is a little quicker than that in typical fashion and especially in India wear that is what we see and apart from a White Kurta which is a very classic product, typical products do change within that time frame. So it is more to do with a change in mix and the kind of products we churn out.

Percy Panthaki: Understood and last question from me any color or flavor you can give on the three smaller brands that is Manthan, Twamev, and Mohey.

Vedant Modi: Sure. So when we talk about Mohey there are a couple of metrics that we track internally all of them have been very positive in nature and have been really encouraging to see the brand grow and the quality of Mohey as a brand has been improving in terms of all these numbers that we internally track. There is also one important metric that we keep seeing that Mohey's SSSG was higher than the company's average SSSG both compared to last year same quarter and also compared to pre-COVID quarter one of FY2020. So that was also very encouraging to witness. At the same time with Mohey we continue to open the flagship Manyavar Mohey stores and we will also experiment with standalone Mohey store this year. So I think those are overall things that excite us with Mohey and the nucleus category of Lehenga has been performing really well with very good high conversion numbers coming from the front end retail store level and sarees has also been picking up pretty well. When we talk about Twamev, Twamev has been a very, very phenomenal sort of a success story for us internally it has been beating all our internal numbers we are very hopeful and we are very confident of having great exclusive brand outlets of Twamev this year and we are very confident about the kind of success that Twamev as a brand will possibly bring for us in the future. Manthan is still in the incubation stage we have been trying out the brand on different online marketplaces and through the MBO channel. Again it has been growing very rapidly given the small base, but we would like to see the brand and work on the product categories a little more for the coming two to three quarters before commenting on Manthan.

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

Moderator: Thank you. Next question comes from the line of Abhishek Basumallick from Intelsense Capital. Please go ahead.

Abhishek Basumallick: Firstly congrats on a good set of numbers. I have two basic questions. One is probably an extension of what you just talked about. So can you just help me understand what are your plans on the Mohey brand in terms of scaling it up, and the second question is about what is the competitive scenario looking like in Manyavar overall those two questions.

Vedant Modi: In terms of Mohey, I think the plan in terms of a retail footprint expansion is to continue with a growth strategy of having Manyavar Mohey stores as the flagship concept of a company, which typically stores above 3000 to 4000 square feet will have a good Mohey section within them and because this TG is very similar for Manyavar and Mohey this is an additional benefit that we are able to achieve. At the same time in terms of Mohey we are also going to experiment with standalone Mohey stores. This was in terms of retail footprint. In terms of product category there is continuous innovation that is happening through our design and product teams and that is the result of which we are able to witness better conversion rates at this store. So overall all the metrics like I just mentioned which we track have been performing better and better over each quarter and I think in the next two to three quarters we should have a very good confidence of start to scale up the whole Mohey brand overall.

Abhishek Basumallick: Just to get a sense, I mean, could you share what kind of metrics you are talking about or is it just internal and something you cannot say.

Vedant Modi: So I think the three most important metrics which we track for Mohey internally are productivity, the dead stock levels, and the inventory turnover ratio and of course the conversion as the store level. So these are probably the four most important metrics for us which we track for any of our newer brands.

Abhishek Basumallick: And the second question that I had was about the competitive intensity in Manyavar and we have been seeing other brands also from the other large retail chains they are also starting to advertise a lot and especially in celebration wear. So what are your thoughts on how the competitive intensity is shaping up.

Vedant Modi: Overall I would like to comment on is what we are witnessing as a brand. So every market we operate and we have been growing, there has been strong SSSG growth we have been witnessing good retail footprint expansion across. So until now we have not witnessed any such pressure and also given the kind of moats that exist in this industry it is a very sort of protected environment. So when we talk about the industry moats , we started producing Indian wear in 1999, the journey since then has been very good with all our jobbers, our vendors and our artisans and handling them and understanding how they operate over the last two decades has been a phenomenal sort of learning for us and that is why we are able to produce Indian wear directly, which is a tricky task for larger players and when we talk about India as a country consumer preferences change every 50 kilometers that means the number of designs that are required the kind of technology and industry inventory replenishment stack that is required to manage operations in an Indian celebration wear brand is very complex. So we have been able to achieve and be very productive on all of these spheres. Lastly talking about the brand modes themselves Manyavar as a brand is one of the most aspirational yet value for money brand that people are connected with that too emotionally. So that creates an edge and until now given the kind of brand power and brand equity Manyavar has the brand has almost become synonymous with the category. So overall these are the kind of defense mechanisms that the company has however all of that said we operate in a much, much larger industry which is about 1.8 lakh Crores and there is definitely room for more organized players to enter and operate alongside with us.

Abhishek Basumallick: Sure, thanks.

Moderator: Thank you. Next question comes from the line of Satwik from Generational Capital. Please go ahead.

Satvik: Thank you for the opportunity. So first question is for Vedant. Out of this 320 odd Crores revenues could you give the breakup of how much of it was from Mohey and also could you share the per square feet revenues of Manyavar and Mohey both if that could be possible.

Vedant Modi: We have decided that strategically we are not disclosing the numbers of our brands separately as of now. Once they scale up and are larger in nature we will definitely start to do that. So it would be difficult to comment on this. Talking about productivity numbers which you ask, so about in FY2022 we saw productivity of about 12800 plus and that is the kind of productivity we witnessed. The first quarter one of this year beat the last year's quarter quite phenomenally with a 105% SSSG so it would be quite exciting to see the kind of productivity numbers we are able to achieve in this financial year, and in terms of brand split I think you can refer to our DRHP which mentions the kind of split that our brands have dated quarter two for financial year 2022.

Satvik: Okay sure that was helpful because I think in the last call you were mentioning that once we scale up to like say 10000 per square feet in Mohey then we can look at possibly scaling up that massively so I think that was the key metrics you were tracking for the Mohey specifically.

Vedant Modi: So I would like to reiterate my point. While Mohey so Manyavar Mohey stores which is a flagship concept they have a very good productivity level and even Mohey within our newer stores is achieving very good productivity levels what I mentioned or I meant by the 10000 productivity level in Mohey is that we are experimenting with standalone Mohey stores this year. We have not done that before and once we experiment and kind of understand the numbers we are able to give out it is the expansion strategy for the standalone movie concept rather the Manyavar Mohey flagship concept.

Satvik: Okay that was very helpful. So the second question is for Mr. Murarka, am I correct in my understanding that sales are booked basically when the products are shipped to the franchise and not when the actual purchases are done to the customer.

Rahul Murarka: That is right. So our primary revenue which we see in the PL it is build upon the replenishment which we make to our franchise.

Satvik: Perfect that was very helpful all the best.

Moderator: Thank you. Next question comes from the line of Rushabh Doshi from Nirmiti Investments Advisors LLP. Please go ahead.

Rushabh Doshi: Actually we met couple of your retailers so from them what feedback is what was that they expect the kids segment to do very well. So if you just throw some light on this and also like maybe around 60% of the retailers they were a bit conscious of thinking of adding Mohey because firstly it takes a lot of space and secondly they have to take a lot of inventory upfront. So how are we addressing these issues or are we going to give them higher or gross margin here. So like these are the two questions.

Vedant Modi: If I got the first part correct you were talking about kids right.

Rushabh Doshi: Yes.

Vedant Modi: So internally we have created a separate vertical for kids and there has been a lot of work that has gone on in terms of product and our team has been calling and training about kids has been talking about how can we solve which is I think that is why the whole retail network is also excited about kids and we have been witnessing good growth. So again kids as a category has been doing good SSSG business as well for us. So we are also very confident the only sort of concern with kids really is that Manyavar as a brand is so productive that sometimes we find it difficult to give the whole kids section more space in our stores which would immediately increase the business for kids and that is I think the one major thing which we are able to achieve by opening much larger stores. On your other side of question so as a company even though we are in a buy and sell model the entire inventory is managed by the company by ourselves. So even though the franchisees give us our security deposit which takes care of more than the cost of goods that we send to them it is not really their responsibility to take care of the product and liquidate it. If the product does not sell well in the store as a company and as part of our policies we bring it back to the company and we send it to another store and we kind of try to use the entire supply chain technology system that we have created in order to make sure that the product gets sold and that is what the key USP of a company. While on the other hand this might be the reference to a lot of retailers asking us to add Mohey but as a policy we have decided that we do not want to add Mohey in stores that do not have this space and capacity to kind of show the women the entire plethora of our collections. So the store is less than 3000 to 4000 square feet typically we do not want Mohey to be in that store. So I think it is more of that point than anything else.

Rushabh Doshi: And this could you even share like what percentage would be our kids piece on an overall company level.

Vedant Modi: Sorry can you please repeat that I could not hear you.

Rushabh Doshi: What percentage would be our kids segment on a company level.

Vedant Modi: So again we are not disclosing these numbers but right now it is a very small part of the overall company level in single digits in low single digit turnover.

Rushabh Doshi: Thanks that is all from my side.

Moderator: Thank you. Next question comes from the line of Ankit Kedia from Phillip Capital. Please go ahead.

Ankit Kedia: Sir couple of questions from my side. First on the job work expenses. Why is there seasonality in job work given that the manufacturing would actually happen 365 days.

Rahul Murarka: Yes, you were right. So as far as our production goes on, we carry out our production throughout the year 12 months in a year it is done consistently based upon our targets for the entire year. This is the consistent thing which happens. So the job charges also you will see that consistently it is incurred all around the years it is not that in a particular part of the year or a quarter the job charges would be very low or a particular quarter it would be very high. So we carried out production throughout the year on a consistent basis.

Ankit Kedia: Sir the reason why I am asking because if you look at job charges in quarter 4 was about 25 Crores and this quarter it is around 20 Crores. So the difference in gross margin is actually coming on back of job charges being low in the quarter.

Rahul Murarka: So the gross margin is a combination of different things actually if you see there are two, three components which becomes part of the gross margin when you compute from our financials. We add three, four component one is the job charges, then we add consumptions, the raw material consumption, the accessory packing material consumption, and then we add up all the change in inventory. So combination of all that has an impact on the gross margin and COGS. So by combining all of that we get the COGS and then by reducing from revenue we get the gross margins. So job charges typically higher or lower does not have any impact on the gross margin per se because it is the cost of goods sold which we compute and the gross margin is based upon whatever we had sold.

Vedant Modi: Also I would just like to add one point so another reason of job charges being slightly lower than Q4 is that a festival of see EID is in a quarter one of financial year 2023 and that is why we typically see a few days of holidays and that is why production quantity is slightly lower in some of these quarters and that is another reason why you might see this discrepancy from quarter four to quarter one.

Ankit Kedia: And the second question is regarding the employee expenses there also quarter four to quarter one we are seeing some decline in employee expenses. So why that difference also.

Rahul Murarka: It is mainly on account of decrease in the director remuneration which is reviewed periodically by our board members and the NRC Committee.

Ankit Kedia: So for FY2023 overall will the director remuneration be different compared to FY2022 or 2021. Is there a board resolution for that or it is a quarterly thing every quarter is being…

Rahul Murarka: Yes we have asked a board resolution also for that based upon which the director remuneration would be different in FY2023 compared to FY2022.

Ankit Kedia: Sir can you quantify that.

Rahul Murarka: So it Is a combination of aspects I would say there is a fixed component and there is a variable component. Variable component would depend on the profitability. So difficult to give you any number on that because of the variable component of that.

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

Moderator: Thank you. The next question comes from the line of Vikas Mistry from Moonshot Ventures. Please go ahead.

Vikas Mistry: Sir I have only single question mainly the question is on rental outfield for celebration how this is going to cannibalize your market.

Vedant Modi: Could you please repeat your question.

Vikas Mistry: My question is that the rental market for the celebration outfits how this market will going to impact our business.

Vedant Modi: So this is the market that we continuously analyze and study and as far as India as a country is concerned culture here is very strong and still for majority of our events and celebrations we have seen a trend of people tending to buy new clothes as it is part of our cultural heritage and that trend continues however as a company we continue to monitor and see the rental market and how that kind of evolves over the coming years.

Vikas Mistry: If it evolves are we thinking in direction to just be pivoting to that part also.

Vedant Modi: I think it would be very premature to comment on that the whole idea is business is very dynamic we try to keep a track of the overall industry what the consumers are thinking what the consumers want and we take decisions accordingly. So right now we do not see any such trends happening in the rental market that is of any concern to us of this stage.

Vikas Mistry: My final question is on Mohey. So how we are thinking to scale that up and any guide and further understanding on it how we try to scale this up it coming to three, four years.

Vedant Modi: So I think with Mohey as a brand we started the brand in 2016 we took about three years to understand that Lehengas will be the nucleus of a category supported by sarees and gowns. We launched independent marketing initiatives with Alia Bhatt as a brand ambassador in 2019 and immediately the brand picked up and so we were able to witness very good growth it was one of the fastest brands to reach 100 Crores of customer revenue in just five years in India and so all of these trends that we saw were very positive and even now the brands underlying metrics which we track are all in a very good and positive direction. I think over the next three to four quarters we should be in a very comfortable position to start scaling up Mohey and start to see benefits out of the brand. In terms of our retail footprint strategy like I mentioned before in the call we will continue to open up flagship stores of Manyavar and Mohey which are very profitable stores for our franchisees and for the company and we will continue to start the experiment with the standalone Mohey stores this financial year.

Vikas Mistry: Thank you that is all from my side.

Moderator: Thank you. Next question comes from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Hi! Just some accounting questions. So one is the employee costs are down in quarter-over-quarter that is versus Q4 they are down materially any reason for that.

Rahul Murarka: It is mainly because of decline in the director remunerations. So director remuneration has reduced in Q1 compared to Q4.

Percy Panthaki: So is this just a phasing issue or I mean what is the reason for this decline.

Rahul Murarka: The director remuneration are decided by the board and we have an independent NRC committee which is there comprising of all independent directors. They periodically review and revise the director remuneration. So as an annual revision and director remuneration it was revised and as a result of which the revised remuneration has been booked in the current quarter.

Percy Panthaki: It has been revised downwards.

Rahul Murarka: Yes.

Percy Panthaki: So this is like a permanent saving which will accrue for the remaining three quarters as well.

Rahul Murarka: Yes it is for the entire year and as I mentioned it is a mixture of a fixed and a variable component the variable component would depend upon the profitability as well.

Percy Panthaki: Secondly can you give some idea on margins your EBITDA margin is in excess of 50% so is there some particular set of conditions which is resulting in this being so healthy like is it that you have got some inventory gains on raw materials or there is some phasing of the ad spend or there is some normal seasonality or something like that or this is like something which is sort of the factors are recurring factors and this kind of margin can continue for the rest of the year.

Rahul Murarka: In last two years if you will see we have been able to consistently deliver around 50% of EBITDA I think one of the major aspect which has happened is the introduction of Ind AS 116 the lease rental accounting which was introduced with effect from April 1, 2019. Now as a result of which earlier than this new standard which has come all my rental expenses used to come before EBITDA as a lease cost and after this 116 accounting has come majority of this cost is appearing as a depreciation in my profit and loss account which has in a way resulted in a change if you see our EBITDA levels prior to 2019-2020 and after that there has been some impact because of that accounting I would say but otherwise I think we have been able to deliver consistently around 50% of EBITDA in the recent times and we are confident as of now and we do not find any challenge also towards it.

Percy Panthaki: Is there any seasonality here also in terms of like typically in a normal year your Q1 margin would be higher or lower than a full year margin.

Rahul Murarka: So on a quarterly basis and as Vedant was also mentioning our quarterly split of revenue does vary from one quarter to another typically we have Q3 is the best quarter for us with around 33%, 35% of revenue coming from there q1 is around 24%, 25% Q4 is around 25%, 27% and Q2 is around 12% to 14%, 15%. So that is the range that comes so of course the operating leverages which we get on amount of the fix overhead that increases in the quarter in which we have higher revenues so in those quarters you will get maybe a higher PAT margin because of the operating leverages on account of the fixed overhead cost and in the quarters which are having the lower revenue makes in both quarters you will have a lower PAT margin because of the lesser operating leverage of the fixed overhead cost. So those variations you will be seeing from one quarter to another.

Percy Panthaki: Got it. So there will be a variation in EBITDA margin quarter-to-quarter but there is no reason to believe that gross margins would vary from quarter-to-quarter right.

Rahul Murarka: That may also very the gross margin also look we can see the gross margin of 68.8% in the current quarter as we mentioned improving the gross margin has always been the endeavor of the company in the past and in the future also, but in quarterly basis it may vary because of various factors but so that is why…

Percy Panthaki: The random variations you are saying I am saying there is no systemic variation that this quarter has to be higher and this quarter has to be lower as far as gross margins are concerned would that understanding be right.

Vedant Modi: So that is correct to an extent because unlike other peers in the industry we do not have any end of season sales or discounts that come up in a quarter two or a quarter four. So the range of our gross margin which we expect to be about 66%, 67% which is what we are comfortable seeing at this time will continue to happen in the coming quarters as well and that gross margin levels do not change significantly at all.

Percy Panthaki: Okay that is all from me. Thank you very much.

Moderator: Thank you. Last question comes from the line of Ankit Kedia from Phillip Capital. Please go ahead.

Ankit Kedia: Two questions from my side again. One is you said non-groom related footfalls were higher in the quarter. So does the Kurta and non-groom related sales have similar gross margins in the system or they would be slightly lower in the system as your advertising campaign is also towards the non-groom related sales to drive that.

Vedant Modi: So gross margins within the Manyavar brand are pretty similar, there is slight variance in different products even within let us say Kurtas because we believe in pricing according to the consumer's eye. So while we as a company use science in almost all our aspects pricing is something where we brought in art. So we price our products without looking the cost and then we look at the cost and see if this product makes sense and should we send it to our flow. So overall while there is some variance within each category themselves overall margins within the Manyavar brand are pretty similar.

Ankit Kedia: My second question would be on online this quarter in the presentation you have not shared the share of online or the revenues. So what is happening on the online side this year we were expected to see revamp of digital things so where are you on the progress front on that if you can just highlight.

Vedant Modi: In terms of numbers compared to pre-COVID levels of quarter one financial year 2020 we are about 3.7 times when it comes to our online revenue the CAGR has been about 55% for three years. In terms of our overall digital strategy we have hired good companies with one of the best in class software technology platforms and the overall digital revamp is in place and we are quite excited and should be out sometime in quarter four of this year.

Ankit Kedia: And one last thing you mentioned this quarter lot of shop in shop was opened now the presentation again does not have the number for that while earlier presentations used to have that if you can consistently give us this data point it will help us analyze online and shop in shop where are the EBOs open. So just a feedback on that.

Vedant Modi: Sure, we will take that into consideration for next time. Thank you.

Modertor: Thank you. Due to time constraints we have reached the end of question and answer session. I would now like to hand the conference over to the management of closing commands.

Vedant Modi: Thank you everyone for the participation and hope we were able to reply properly to all your queries and please feel free to connect with us in case you have any further queries or questions separately. Thank you so much.

Moderator: Thank you. On behalf of Edelweiss Securities that concludes this conference. Thank you for joining us, you may now disconnect your lines.