



“Vedant Fashions Limited Q2 FY24 Earnings Conference Call”

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MODERATOR: **MR. SAMEER GUPTA – IIFL SECURITIES LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to Vedant Fashions Q2 FY24 Earnings Conference Call hosted by IIFL 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 the 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. Sameer Gupta from IIFL Securities Limited. Thank you and over to you, sir.

Sameer Gupta: Thanks, Yusuf. Welcome everyone, good afternoon and without further ado, let me pass the line to the management. We have from Manyavar, Mr. Vedant Modi – Chief Revenue Officer and Mr. Rahul Murarka - Chief Financial Officer. Over to you, Vedant.

Vedant Modi: Thank you very much. Good afternoon and a warm welcome to all the participants. I am Vedant Modi, the Chief Revenue Officer of the Company. Thank you for joining us today to discuss the Vedant Fashions Limited Quarter 2 and First Half Financial Year '24 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 have been uploaded on the Stock Exchange as well as the Company's website.

Let me take you through our Quarter Ended and First Half Yearly Performance of Financial Year '24:

In this quarter, we continued with our network expansion strategy and have successfully rolled out approximately 35,000 square feet of net retail area in the second quarter Financial Year '24, aggregating to 1.2 lakhs of square feet net rollout in the first half of Financial Year '24. As of September 2023, Vedant Fashions EBO area stands at 1.59 million square feet, spanning across 669 stores in 260 cities and towns globally. The national EBO footprint tally is at 653 stores spread across 248 cities and towns.

In line with our strategic market expansion plan, we have successfully opened four exclusive Twamev stores in the first half of Financial Year '24. We have a strong and healthy pipeline for new rollouts planned for the remaining part of the financial year. Vedant Fashions is predominantly a wedding centric business with a special focus on Indian wedding and celebration wear apparels. It is pertinent to note that our business is highly concentrated on the Indian wedding calendar. As discussed earlier also, in any given period, wedding dates can shift over months or quarters based on astronomy. This quarter also, particularly July month, was an extension to quarter 1 and as expected, we witnessed significantly low weddings in H1 largely as compared to last year, which also impacted our performance. However, with the onset of Navratri, we have noticed good traction and positive trends on comparable days basis last year.

Moreover, since last year, first half of financial year 23 was a clean period after COVID without any restrictions. It had a spike effect coupled with good wedding calendar in the first 6 months. Hence Financial Year '24, both Q2 and first half numbers are not identically comparable with last year. We expect this to normalize in the second-half period driven by higher wedding dates and festive seasons ahead.

Further on comparing our performance with normalized pre-COVID of Financial Year '20, our overall customer sales grew by 58.9% in Quarter 2 Financial Year '24 versus Quarter 2 Financial Year '20. We are strategically planned to use this sluggish period of Quarter 2 Financial Year '24 to upgrade and renovate our existing retail stores to the tune of 1,00,000 square feet being fully renovated this quarter. This upgradation helps us to match with the new retail brand identity, providing our guests a unique brand experience.

We witnessed SSSG growth of 21.3% in Quarter 2 Financial Year '24 over Quarter 2 Financial Year '20 excluding the stores under renovation. In this quarter, we focused on further enhancing our brand dynamics and business dynamics, which store upkeep and renovations and by adopting a 360 degree marketing approach through initiatives ranging from category based marketing for Manyavar Kids, brand campaigns for new brands such as Twamev, collaboration with multiple influencers, digital marketing to increase our campaign effectiveness for our women's wear brand Mohey. We also effectively ran Rakhi and Independence Day campaign to foster further growth to the celebration wear category and received very positive response thereby further reinforcing Manyavar as a celebration wear brand. We have recently partnered with Global Star, Mr. Ramcharan as our brand ambassador, having a massive appeal in South India.

Overall, we have left no stones unturned in the form of best network expansion via store rollout in first half and have done 360-degree marketing campaigns and have even gone regional with on boarding of South based celebrities for the first time.

Also, in terms of merchandising, we have fully geared up with the best inventory on the floor backed by strong modes of our world class auto replenishment system and robust backend dynamics to further foster our growth in second half filled with wedding season and festivities ahead.

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

Rahul Murarka:

Thank you, Vedant. Namaskar and good afternoon, everyone. I would like to highlight the key financial performance metrics for the quarter and half year ended 30th September 2023 based upon the consolidated financial statements.

Starting from H1 FY24 update:

The reported revenue from operation is around Rs. 530 crore and the sale of our customer is around Rs. 691 crores. The revenue during the period including Q2 got impacted mainly due to significantly lower wedding date compared to last year. H1 FY23 was the first full clean period after COVID coupled with full-fledged wedding season. Hence the base period of H1 FY23 was not a normal period to compare performance.

On Comparing our H1 FY24 performance with H1 of FY20, which was a normal period:

The Company's revenue from operations grew by approx. 58%. The Company continues to report industry-leading gross margins of around 66.6%. The EBITDA margins are around 46% and EBITDA stood at around Rs. 244 crore. The Company reported a healthy PAT margin of 26.5% during H1 of FY24 and the profit after tax stood at around Rs. 141 crore. Moreover, the PAT generated during the trailing 12 month period of September 23 is about 108% of net working capital employed.

Further, the Company also witnessed significant growth in PAT by approx. 99% in H1 FY24 over H1 of FY20 based upon internal management MIS. During TTM September 23, the Company continued to report a healthy cash conversion ratio of approx. 75%, which has been computed based upon operating cash flow over PAT during trailing 12 months.

Now, coming to Q2 FY24 performance update:

The Company reported revenue from operation of around Rs. 218 crores and sale of our customer is around Rs. 270 crores. On comparing our Q2 FY24 performance with Q2 of FY20, which was a normal quarter, our revenue from operation grew by approx. 67%. The Company continues to report industry-leading gross margin of around 66.4%. The Company reported a PAT margin of 22.3% during Q2 of FY24. This was impacted on account of negative operating leverage due to lower revenue and the profit after tax stood at around Rs. 49 crores. Further, the Company also witnessed significant growth in PAT by approx. 224% in Q2 of FY24 over Q2 of FY20 based upon internal management MIS.

Since we are a wedding centric business, our performance in a particular period may vary based upon the spread of wedding dates across the year. We are hopeful and positive for H2 and the full year as a whole owing to wedding and festive seasons in H2 during this financial year.

Thank you and Namaskar, everyone. We can now move to the Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Nihal Mahesh Jham from Nuvama. Please go ahead.

Nihal Mahesh Jham: Thank you so much. The first question is Vedant, you alluded that the comparable days in Navaratri have seen a decent growth, if you could just give a sense of how that is and as you look into Q3, at least in we see the wedding calendar, we see that the data are reasonably higher

versus last year, so that is a tailwind for the quarter, but I just wanted your thoughts on how you are looking at the festive and the upcoming wedding season also?

Vedant Modi:

So, like I mentioned, when we compare our performance for the last 15 days of October with the onset of Navratri starting at about 15th of October this year, we have seen a very good traction at the store level, every parameter that we track from a retail perspective, be it footfalls, average bill value, average basket size, everything has seen a good uptake. Overall, a very exciting last 15 days we have had, while I can't share any numbers because this is something we would share in our next earnings call. Qualitatively, things have been very good, and this gives us a very good hope for the second-half of the year and the way things should pan out and exactly as you mentioned, there is definitely some level of tailwinds from a wedding date perspective and also from the number of wedding perspective. So, the string of people we talk to in the wedding industry, everyone looks very optimistic about the number of weddings that are bound to happen in the current quarter, we are operating in which is quarter 3 and also quarter 4 after that, so overall exciting times to come.

Nihal Mahesh Jham:

So, just to understand better from you, I think last year what had happened is that there was some shift of weddings to Q4 based on how the wedding calendar played out, in this year are you expecting that Q3 will see a maximum share of the weddings and the business we do or there could still be some adjustments that could end up playing out?

Vedant Modi:

So, Nihal, to be very frank on this question, this is something we always at the beginning of the year try to estimate, but this is one very tricky question for us to even kind of try to figure out. From a date perspective there are 12 dates in Q3 and about 29 dates in Q4, however, people typically prefer to get married in Q3, but sometimes what happens is the infrastructure of the country can't support the number of weddings that are prone to happen. However, on the other side, there are also mega festivals like Diwali which bump up our revenues in Q3. So, all in all, it is a very difficult question to answer, but H2 as a whole, we are very confident on having a very large number of weddings happening.

Nihal Mahesh Jham:

Vedant, second question was on receivables, I do understand we have seen a higher store addition in terms of 1.2 lakh square feet versus 8.7 that we did in H1 of last year, but just considering that the festivities are a little later than what they were last year, is this receivable build up a normal phenomenon or there is something you may just want to highlight just for clarity?

Vedant Modi:

Receivable days according to our working, it is 64 days based upon trailing 12 month September 23 numbers. So, basically, if you see that compared to last September 22, we have opened around 2,52,000 square feet. Now, as you open store, it results into increasing trade receivable as a onetime impact. So, that is one of the reasons why we compare our receivable days around 30th September 23 with 22, we see higher receivable days. Also due to lower revenue, we see that it has impacted into higher receivable days, but otherwise, from our inventory buildup prospect

generally there is an inventory buildup in September, but this time because the weddings and festivities are later in mid of November and hence it has been lower compared to last September, I would say.

Nihal Mahesh Jham: If I may just take one last question that if you could give any comments on how Twamev and Mohey are performing and if the rollout of say Mohey EBO that we had discussed a few quarters back is something you plan to scale up anytime soon?

Vedant Modi: From a Twamev perspective, the whole management actually spent a lot of time interacting with consumers and the Twamev EBOs and the entire momentum looks very positive. Consumers have great things to say about the product, about the retail experience and we see very good numbers coming in, better than we expected initially. So, overall, Twamev seems like a very good brand and profound to grow over the coming quarters. So, right now, we have about 4 EBOs, we are about to sign about 4-5 more EBOs in the coming months and the idea is to have about 8-10 EBOs, properly study a model and then take a call on scaling to the next set of EBOs and overall Twamev has been performing really well. From a Mohey perspective, very similar to Twamev, all the things that we track for Mohey have been improving. So, if I break it down into three things, overall sales, SSSG and the rollout of Mohey in the current Manyavar Mohey concept, all the three numbers are very strong, much higher than the Company average, conversion rates at this store level have been increasing, so has all the other metrics, including inventory turnover ratio and the kind of feedback we received from consumers. So, we are very happy with how Mohey is performing. From a Mohey EBO perspective, we have rolled out the first smaller set of EBOs, so Mall of Asia and Bangalore (Bengaluru) has opened up. We have also had a smaller Mall EBO opened up in Patna. However, the major flagship that we are about to open in Jayanagar, Bangalore (Bengaluru) is still in the works. Due to some construction related inefficiencies, it has taken a little longer than we anticipated, and the idea is to have it go live as soon as possible and that is the main store that we are kind of banking on to understand the Mohey EBO model and then take the call from that point on.

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

Gaurav Jogani: Sir, my first question is with regards to the sales breakup generally between H1 and H2, in normalized scenarios, we have seen that H1 typically contributes to around 36% to 38%, whereas H2 will be the balance, given there has been a shift of the festive season in H2 now, so do we anticipate a shift in the contribution from H1 to H2 towards more the H2 side? And if any percentages that you can help us guide, what have you seen the percentages in the earlier years when there has been a wedding season shift?

Vedant Modi: If I kind of talk about this typical average which we have seen over the years have been 36%-37%, in some years where the H1 has been weaker due to seasonal demand shift, we have also seen years where it has been 35%-36%. So, it is very difficult for me to tell you and as a Company, we don't give any guidance per se to tell you what it exactly will be in the coming

year, but typically in bad sort of H1 it is about 35% of the year's contribution, while in good ones it is typically 38. Last year was a very different phenomena for us where it was 42%, which was more of a one off scenario and the idea would be to work on a lot of our non-wedding focus areas such as building up Rakhi, Independence Day over a mid to long term horizon and build up the H1 business as well as we move forward, but talking about the past, those are the kind of numbers we witnessed.

Rahul Murarka: But given that we are very positive and confident on H2, we have to see how much deviation is there from the historical period what we have observed in relation to 35% to 37%. There is a possibility that there would be, we will have to see how we progress in the H2 period accordingly.

Gaurav Jogani: And sir, in terms of the contribution from the online, if you can guide us how the contribution from online has been shaping up over the past couple of years and in the past, Vedant, you have talked about certain initiatives that you have been taking to drive the higher salience of the online sales, so anything on that front if you can highlight or any initiatives that you can highlight there?

Vedant Modi: So, we actually went live with the new Manyavar.com website in April and since then we have seen a great growth when it comes to our B2C channel and we have been witnessing phenomenal growth rate as of now as well and overall, our conversion rates have improved, our **SCO** has improved, our overall market share in the keywords we operate has improved. It has been our best performing channel in terms of growth over the last 6 months. From a share perspective, the channel share is still very small, which is about 3% odd. The way we internally track this data is that e-commerce, the share we actually track is products under Rs. 4,000. So, over there the share is almost 8% to 10% is led by e-commerce. So, that share has also been performing well and been growing and with Manthan's strategy also coming in which gives us that support in the Rs. 800 to 2000 price range helping us in marketplace growth. So, all in all, overall e-commerce business has been growing really well in a very high positive trend and given the fact that the next 12 days is Diwali, all our teams are very excited to see what the new website can do in terms of bringing massive number of Diwali consumers to our platforms.

Moderator: Thank you. Next question is from the line of Manish Poddar from Invesco Asset Management. Please go ahead.

Manish Poddar: I just had two questions. First one was, have you taken any price increase this quarter?

Vedant Modi: Manishji, as you know that we don't take any direct price increases per se. The endeavor is to continue on our task of adding more value that we provide to our guests and in that endeavor, we have continued to invest in our products, come up with better merchandises and drive our overall ASPs for products by introducing better merchandising. So, there is no price hike per se, but ASPs within each category have been growing as we move into the festive season.



- Manish Poddar:** Let us say in the like for like number which you have, the declined number, I am just trying to understand in that how much would be mixed led growth if you have to, any sense you one can get up there?
- Vedant Modi:** Overall, from a like-to-like perspective, the degrowth was majorly led on the accounts of volume. From a ASP perspective, things were quite good and on account of when you talk about mix, it was a similar story where we track at a POS level, grooms versus non-grooms and overall, the non-groom business was better off than the groom business owing to the fact that the business was slow due to less number of wedding dates, at least for the first half of the year.
- Manish Poddar:** Just last one, Vedant, if any sense you can get, given a lot of peer set or both unlisted and listed players are scaling up in this category, any sense would we have that, are we losing share or just actually demand not that primarily because of weddings and this date shift?
- Vedant Modi:** So, there are multiple perspectives here, so one is at a city level wherever, let us say, organized competition has opened beside us, those particular stores compared to the city average have not changed too much and at the same time, there are multiple cities and states where no organized competition has even entered, but the sort of slowness we saw was similar across those cities and states as well. So, I think it is more from a demand angle and the market is very large to host more than one player and it is not really a fact of newer peer set entering the market, but more of fact of the entire wedding industry shifting and to some extent also on overall slowness in the consumer discretionary space.
- Moderator:** Thank you. Next question is from the line of Karan Gupta from Varanium Capital. Please go ahead.
- Karan Gupta:** So, my question is related to the inventory management system, you said you are making them better management system, inventory management systems, what our peers are not doing right which makes us different from the peers doing anything like?
- Vedant Modi:** Apologies, Karan, we can't completely understand what you are saying, if the question around our automated replenishment system and how that works?
- Karan Gupta:** Yes, something related to that, but any steps we are taking which is better than peers in terms of inventory management system, not the auto replacement system, that is the thing what the activities we are performing, right, this kind of activities like the global players are performing to fast replenishment of our inventories in terms of designs or in terms of special trends, that kind of thing?
- Vedant Modi:** So, I mean the way I would break up this question is into multiple parts. So, in our case we have about 20 years of consumer preference data across India and as Indian wear category is slightly different, consumer trends and behaviors change basis city and state. So, we have identified what sells where in which part of the country. Our designers have access to that data and we ensure

that we follow scientific method of designing where we utilize all that data to come up with relevant designs and then those designs are planned well in advanced basis, what sells where and which part of the country and then they are replenished to those respective stores only. So, just because the whole process is slightly confidential in nature, I can't talk about it in a much deeper way, but at an overarching way, some of the data points I can share with you is that our overall dead stock is typically always less than 4%, less than 3%, which is an industry-leading number globally. So, this is one of the lowest numbers for any brand across the globe and that is what leads to our profit margin numbers, which are on a normalized year about 29%-30%. So, in a nutshell, that is the system we use from the basis of how it is differentiated. In an organized retail space, we are the only ones or one of the only ones that uses an in-house built replenishment system completely developed by our internal teams and with our internal strategies. Most people use productized versions of this replenishment system available for anyone to buy, whereas we have customized this solution to how the Indian wear market works and function and it is based on that from ground job.

Karan Gupta:

Next is, overall globally if you see some of the brands are trendsetters, so we are fashion setters, we can say just refer, are we like wanted only into the wedding centric segment or we are trying to perform like you said in the Holi, Raksha Bandhan, so these are also entering into the event kind of segments where the different parts of India, have different festivals around the year, so we are entering into this segment, that's one thing and another related to previous part which is related to the trendsetter?

Vedant Modi:

From a trendsetting perspective, we have a large creative design team as well. So, any possible trends that we understand from a global perspective which might be based on colors or different cuts that is happening or that might be happening in India, we test out all of those particular design themes and we try to see what is working in our case. That is first and secondly what I understood from your question is, is our merchandising fit for festive wear. So, absolutely, we work a lot on the festive merchandising of things, having a great product range for people to wear across Raksha Bandhan, Diwali, Independence Day and so on and there has been a large push in our entire Kurta set range where we have invested a lot from a design perspective and really up the game in the overall Kurta set game and at the same time, I think I also heard a little bit about kids in your question. So, from a kids perspective as well, we have been building up our merchandising and the presence of kids has been growing from a retail perspective as well with us having larger flagship stores that gives us the ability to give kids a good enough presence in all our stores and that whole design piece is already taken care of from the backend and we continue to invest in better merchandising and adding more value to our guests.

Karan Gupta:

Sir, so the basic question is the behavior if you notice, the state of the consumer behavior, like if you have limited stock of any of your brand, let us say Kurta set or Saree, if you have the limited brand, if you have limited stock, then the consumer behavior is like this is limited stock with Vedant Fashion, I have to buy this as soon as possible, otherwise it will get replenished in 15 days, that is one point so I have to buy this and this behavior, I am just asking?



Vedant Modi: Yes, I mean in our case, the way it works is that we try to ensure whatever products are selling in whichever part of the country get replenished as soon as possible. If not, then the closest product to that gets replenished to that particular store as soon as possible. So, that is the kind of mindset we try to work on. From a consumer perspective, I think the route we take is we want to comfort our consumer whenever they walk into a Manyavar Store, they will find something for themselves and having the promise of having relevant products for every guest walking into a store, which ensures a great conversion rate, I think some of the references which you might be referring to is of Veblen goods wear, there is a sort of need of demand created by limiting supply of certain products which is not the kind of area where we operate in with Manyavar as of now and in the future if this is of interest, we will explore how something like this would work.

Moderator: Thank you. We will move to our next question from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: So, Vedant, wanted to check H1 has been slow for us, so any signs of stress that you are seeing at the franchisee relationship level? Also, as a Company, what steps do we generally take to provide some comfort to our partners when there is a weak demand scenario?

Vedant Modi: To be very honest, I think all our partners understand the fact that H1 last year was slightly better off than it usually is, and I think everyone understands the fact and is really geared up for H2 and that has been the common theme across our partners. Majority of our revenue comes from partners that have been operating with us for more than 5 years, 6 years now. The top 50 partners actually contribute to 80% of our business and we have a very close relationship with them in order to have a dual line of communication between how business will perform. So, I think everyone is really excited about H2 and that has not been an area of concern at all. Typically, when you ask me from a closure perspective, right, we would have 1% to 2% of stores closing in the given financial year and of those stores, in many cases, these stores are actually run by larger franchisees who have multiple stores, so at the franchisee group level even those stores don't hurt the franchisee at all. So, from that perspective, if there is a one-off case, we definitely add on a marketing level of support for that particular store and try to push up the sales of that store and the endeavor is to work on our stakeholder growth where franchisees actually act as a very important stakeholder to our Company.

Devanshu Bansal: Any additional incentives, etc., also that you provide or maybe some historical precedents is there which you can highlight wherein the growth slowdown and you sort of ended up giving higher incentives to your partners?

Vedant Modi: So, from our perspective, this has never happened. We have always stuck to our model. We are a very transparent Company. Every single franchisee in our system has the same franchisee model, which is either 18% or 29.5% plus GST model. There is no comma, full stop difference also between anyone's agreements and we stick to the same incentive model, no matter the

conditions and in our entire history of the Company, we have seen very good sales, we have seen very happy partners and from the perspective of incentivization, we have a franchisee scorecard system. So, any franchisee that scores above 80% on our scorecard are the partners we prefer to grow our fleet with and they are the first ones who get access to any new store that they are about to open and given the high ROI that our Manyavar franchisee makes out of any of the stores that are opened, then that in itself is a very large incentive for people to work hard with us and grow within our Company.

Devanshu Bansal:

Secondly, wanted to check from our product innovation point of view, if I picked it right from your commentary, you indicated that you have sort of certain time has gone into merchandising for this upcoming festive wedding specifically, can you highlight few innovations or product innovations that you have specifically come out for this festive, which will sort of give better product value proposition to customers versus peers?

Vedant Modi:

Absolutely, so product innovation is something which is a continuous process in our case. So, we have worked on the quality of the fabric we offer, we have tried to make it softer, we have tried to make it more resistant from all possible angles and at the same time we have also really worked on things which are trending. So, let us say this particular year, Chikankari has been in high fashion, Mirror Work has been in high fashion, so we have worked on our range for those products. So, product innovation in our case is a weekly affair where decisions are made on a weekly basis, and we try to upgrade our product quality every single week as we move further and that will always be the endeavor for our Company.

Moderator:

Thank you. Next question is from the line of Mr. Sameer Gupta from IIFL Securities. Please go ahead.

Sameer Gupta:

First question is that, I understand that first half this year has suffered a high base effect, but just to hypothesize even if you have to clock a double digit growth in FY24 as a whole, this would imply a sharp 27% kind of secondary sales growth in the second-half, now based on your history in years where wedding dates have search queues, do you think this is a number which is not an issue and it will be solely driven by the wedding date mismatch this year or will it still require some amount of pickup at the overall consumption level which we understand has been kind of weak for most players that are operating in the overall apparel retail phase that will be the first question?

Vedant Modi:

From the perspective of numbers, as a Company we don't give any guidance, however, you are very right with those figures in order to achieve double digit growth at the financial year level, those are the numbers which we would have to achieve. Definitely, our endeavor would be to get to those numbers and we will do everything possible and that is why as a Company, we have left no stone unturned in terms of opening the most amount of square feet we can in the first half of the year having a great merchandising plan, having great marketing initiatives and so on. So, that is the entire endeavor of our Company in order to have great growth during the second half

of the year, but I won't be able to comment on those exact numbers. From a historical perspective, we have definitely seen Q3 numbers being very good and there definitely is that level of hope of continuity and that said over the last 2 quarters, we have felt a little bit of slowdown from a consumer discretionary aspect and with festive on setting into India, I think the hope will also be that those things turn around and consumers get back to going to retail stores to the full extent as it was in the last couple of quarters before the slowdown actually started.

Sameer Gupta:

Secondly, on Mohey, so just trying to understand the broad strategy here now, is it going to be very similar to how you are doing with Twamev, opening some marquee 10-12 stores and then looking at it as a pilot or here, we have actually a very large kind of experience because the brand is in place since 2015 and we already are present in around 120 Manyavar stores if I understand correct, so can we just from the first day itself roll out our EBOs like without a pilot or it will still be a cautious wait and watch approach and looking at the results of the EBOs, then decide the further strategy here?

Vedant Modi:

So, definitely we will always take a more cautious approach and the reason for that is while our confidence on the brand is very high, the way both the models work would be very different. So, in Manyavar Mohey, there are certain advantages which come in. So, you have the ability of cross selling to the Manyavar consumers that are anyways walking into the store. On the flip side, in Mohey, you have the advantage of giving a very special experience to the brides walking in who will then spread the word of mouth of that magical experience. So, from a retail perspective, both the models will actually work slightly differently and that is why we will take a cautious approach of piloting with a couple of marquee stores, understanding the model before we push the button of going high on opening those number of stores.

Sameer Gupta:

One last question, if I may squeeze in, have there been any price cuts this quarter? Have you taken any price cuts?

Vedant Modi:

No, absolutely no price cuts were taken. In fact, our ASP is as healthy as ever and we have been performing well on that perspective from every individual category perspective also. So, we are quite happy with the work that is being done on the value addition side of things and the overall premiumization story for our Company.

Moderator:

Thank you. Next question is from the line of Varun Singh from ICICI Securities. Please go ahead.

Varun Singh:

Sir, my question is on the retail area expansion, so given that now we are adding more of flagship stores, so our total area expansion has been quite healthy over the last 2 quarters, so given that context, would you like to revise our annual store retail area expansion aspirations for medium term?



Vedant Modi: Actually, Varun on the flip side, this year we were very cautious and we changed our business development strategy, almost 2 years ahead of time because we were already anticipating some sense of slowness in H1 overall and that is why we had geared up to open a larger share of stores in H1 and in October as well as a month, so that these set of stores are able to bring in all the business during the festive season of H2. So, this is business development planning is 2 year, 3 year sort of a horizon that we work on, and these decisions were actually taken ahead of its time rather than it being something which was more of a short-term decision making. So, we would ideally like to stick with our guidance of about 16% retail footprint growth at a CAGR level, which is what we work on, and while we would like to grow faster, there are certain limitations from the supply side as well. So, as a Company, we want to stay efficient from the perspective of cost and efficient from all supply side angles and that is how we want to take growth forward without compromising on any other metrics that we track.

Varun Singh: And secondly, on Twamev, if you would like to share any insights given that we have scaled up this format to now around 6-7 stores?

Vedant Modi: So, from an insight perspective, I think what I can tell you is that consumers are really liking the product, we are seeing very high conversion rates better than we were anticipating for a new brand, so that has been a very positive side of things. The second thing like I had mentioned in my last earnings call as well that the women's split to men's we were expecting it to be slightly more towards men, but rather it is more towards 45% women and 55% men to 50% each. So, that is the kind of horizon we are playing at, which is very positive overall and that has also given us the confidence of continuing to open larger stores because we have to give ample amount of space both to men and women offering. However, that said, men business is expected to pick up in this month as men even in the case of Twamev seem to shop closer to the festive season, while women might actually be shopping slightly ahead of time. So, there are a lot of things which we need to understand over a period of one full financial year for each store before we actually turn those insights into strategies for the Company.

Moderator: Thank you. Next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: I would like to understand how much would be the groom versus non-groom sales in any financial year for you?

Vedant Modi: So, actually we don't share that particular number on quarter-to-quarter basis, but on a typical average, if I have to say that, let us take the last financial year number that the groom's average bill value is much higher, so almost 45%-50% of our business was derived from grooms at a revenue level while the number of bills were relatively lower.

Prerna Jhunjhunwala: And given that you were expanding the Twamev stores initially partnered in Mohey, could you just help us understand what the challenge is in Mohey, which is why you are going slow on

Mohey? And also, some insights on the dead stock data given that you are operating this brand since last 7-8 years now, so whether dead stock in women business is higher than men and how are you dealing with the changing fashion in women versus men?

Vedant Modi:

So, taking the first part of it, both the brands have very different teams internally, so different set of team works on for Twamev and a different set of team works on Mohey and both the teams, we are working on them parallelly. So, it is nothing as if one brand is being prioritized over the other. In the case of Mohey, we face certain constraints from a construction and overall real estate perspective, which was out of our control that led to this delay and from a focused perspective, the focus on Mohey is extremely high and that is why we have actually rolled out some certain smaller EBO stores. The flagship will also come to light extremely soon. From a dead stock perspective, Manyavar has set an industry-leading number across the globe. So, while the entire women side of things is definitely higher than Manyavar in terms of dead stock, but if you compare it to the industry average, it is still a very good number that we operate on and from a trendsetting perspective, we have a very talented design team working on Lehengas and Sarees and we have been updating our overall mood board for Mohey every single quarter and you could check out Mohey Social Media to see how the brand is progressing in terms of its design and the kind of language it speaks.

Prerna Jhunjhunwala:

And if I want to just understand, the ASP of brand Mohey as compared to competition where we are placing it and where do we actually want to target Mohey, will it be premium, super premium, luxury, how do we see Twamev versus Mohey in women?

Vedant Modi:

From a Lehenga perspective, Mohey's ASP for a Lehenga is about Rs. 20,000 to Rs. 23,000. Twamev, it is much higher than that, it would be in the range of 3 to 4x of that and that is because the brand's positioning and the target audience were going after is very different. Again, from Mohey, this number is very difficult to compare because Mohey actually operates in a very sweet spot where if you look at the market, there is unorganized players operating out of let us say markets like Chandni Chowk in Delhi and then there are the Super high-end designers. Mohey is one of the only established national brands that operates in the mid premium price points offering the Lehengas in those particular price points. So, it doesn't really have a proper comparable to it. However, we feel based on our market study that Rs. 22,000 to Rs. 25,000 Lehenga ASP price point is a very sweet spot for any working bride looking to get married and this is something that does not hurt their pocket at all, while fulfills all the aspiration they might have of walking into a great and beautiful store in a great location backed by celebrity ambassadors and so on.

Prerna Jhunjhunwala:

And Twamev women, how are you positioning it?

Vedant Modi:

So, Twamev is absolutely a bridge-to-luxury brand, and the idea is to operate on a price point where Lehenga starts at about Rs. 50,000, go up to Rs. 2,00,000 and thereby the ASP would range between Rs. 70,000 to Rs. 80,000, but it is really soon to comment on how this would

shape up over the next 6 to 7 months because we are very new to Twamev women's merchandising play and we are also learning that part of the business and working on the same, but the overall positioning is different from entire, the way the store is designed to the kind of marketing we are doing on it. So, it is aimed more towards a luxury designer wear segment with the prices being much lower compared to what designers operate at.

Moderator: Thank you. Ladies and gentlemen, we will take this as the last question for the day, I now hand the conference over to the management for the closing comments.

Vedant Modi: Thank you very much to all the analysts for joining the call. It is always a great learning to hear all the questions from you, really looking forward to meeting again post a festive season of Q3 and thank you very much for attending.

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