# "Vedant Fashions Limited

# Q1 FY '25 Earnings Conference Call"

# July 30, 2024

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

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Vedant Fashions Limited Q1 FY '25 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participants' 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 touch-tone 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:** Thank you. Good evening, everyone, and thank you for taking time today to attend Vedant Fashions Limited 1Q FY '25 Earnings Call. Without taking more time, let me pass it to the senior management. Over to you, sir.

**Vedant Modi:** Thank you. 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 1 Financial Year 2025 results. 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 the company's website.

Vedant Fashions is India's leading wedding and celebration wear company, and our business is predominantly focused on wedding dates. Q1 FY '25 has been a one-off exceptional quarter, with extremely low and negligible wedding dates nationally, thus performing more like a non-wedding quarter.

Further, there have been no wedding dates in the month of May and June, particularly. Hence, we have envisaged the same and planned a retail expansion strategy accordingly spread across the remaining parts of the year. As of June 2024, Vedant Fashions EBO retail area network stands at 1.71 million square feet globally. We have a healthy pipeline for new rollouts planned for the remaining part of the financial year.

In this quarter, we have focused on further enhancing our back-end business dynamics like training, effectively administrating our large fleet of retail network, including recent launches of Twamev and Mohey EBOs for providing better consumer experience. Thus, in spite of behaving like a non-wedding quarter also, our KPIs were marginally positive in Q1 FY '25, primarily what I'm talking about here, are core consumer-related KPIs reflecting business dynamics, which were very effective this quarter as well.

In this quarter, we also consciously calculated our marketing campaigns planned across the year, with some social media campaigns and certain category-specific marketing campaigns across brands in this quarter. Further, as expected in this quarter, we witnessed extremely low, almost no wedding dates nationally as compared to the same quarter in last year, which also got reflected in our performance as well.

Sales of our customers for the quarter ended 30th June 2024 was INR3,293 million, respectively. However, with a resilient business model, the company has been able to effectively maintain healthy financial margins and profitability metrics, reflecting robust financial fundamentals. We expect business to normalize from here on and are optimistic with festivities and wedding season ahead.

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

**Rahul Murarka:** Thank you, Vedant. Namaskar and good afternoon, everyone. I'd like to highlight the key financial metrics for Q1 of FY '25 based upon the consolidated financial statements. Q1 of FY '25 was one of an exceptional quarter, with extremely low or negligible wedding dates nationally resulting it to behave like a non-wedding quarter for us. As a result, the business performance during this quarter got significantly impacted.

During Q1 of FY '25, the company reported revenue from operation of around INR240 crores, and sale of our customer is around INR329 crores. The company continues to report industry-related gross margin of around 67.7%. The EBITDA margin is around 47.8% and the EBITDA stood at around INR115 crores during Q1 of FY '25. The company also reported healthy PAT margin of 26.1%, and the profit after tax stood at around INR62.5 crores. Further, the pre IND-AS 116 PAT margin is approx. 27.8%, computed based upon internal management MIS.

The company has been able to consistently and efficiently maintain strong financial margin and profitability metrics, reflecting resilient business fundamentals. As mentioned earlier, the quarter was very exceptional since it had extremely low or negligible wedding dates, hence it behaved like a non-wedding quarter for us. However, we are hopeful that the worst is over. And now we expect business to be normalized from here onwards, with weddings and festive season ahead 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. The first question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

**Gaurav Jogani:** Thank you for the opportunity, sir and good job done on the margin front despite the sharp decline in the turnover. So, my first question is with regards to the network expansion. In this quarter, we have also seen not only the absolute store network going down, but we've also seen some cities also being closed. So, in that context, I wanted to understand, one, whether that -- these cities -- we entered these cities quite earlier before the evolution? And the second question with related to this is, are there further store closures planned in the coming quarters ahead?

**Vedant Modi:** Thank you for your question, Gaurav. So, I'll take this in 2 parts. So, commenting on the first side, the cities that we left technically are Tier 3 cities, right? And the reason we took a call on leaving these is because, in a lot of cases, these Tier 3 cities are dependent on a larger Tier 3 city or, in some cases, a Tier 2 town, where we've opened an especially larger store. So, in one sense, the business has actually moved into the city center, which is not a long drive from the 5 cities we've actually decided to take exit from as of now.

On the other side of things, commenting overall, every retail business has to churn out some of their retail fleet in order to keep the fleet updated and in relevant markets. As part of that exercise, we closed almost 2%, 2.5% of our retail fleet, and that is the sort of number that we see this year as well that is going to happen.

And as I mentioned in the last earnings call, we already knew that business is going to be sluggish in the first quarter and quarter 2 anyways is a no-wedding season quarter for us. So given these facts, we took a call as a company to majorly focus on store openings, starting in the later part of Q2 and early Q3, which is when a major chunk of our openings are planned. Hence, these numbers are something that we had internally taken a call that this is how we should efficiently manage openings for this year.

**Gaurav Jogani:** Got it. And the next question is with regards to how the season has been panning out, especially Q2, given the fact that this time around we have around 6 to 7 wedding days in Q2, which normally, there are no wedding days there. So that is one. And the other thing is the update on the new brand that -- the new festive brand that you were planning to launch. Any updates when can we expect that?

**Vedant Modi:** Sure. So, when it comes to July, we've seen a pretty good July. And overall, this reinforces our confidence in the remaining 9 months of the year. So, things have been good in July, especially with the couple of wedding dates that also fell in the month. And coming to the festive brand side of things, there has been a lot of work. And internally, the strategy, the product, the brand, everything is ready.

And we expect to launch it before the next time we are meeting on this earnings call post quarter 2. So, within the next 2 to 3 months, we plan to launch the brand. And -- the launch is, in itself, going to be a little soft, mostly focusing on marketplaces and the dealer network. But we will share all the exciting news we have with that brand with all the analysts in the next earnings call.

**Gaurav Jogani:** Just a follow-up on this one, the festival brand. So, will it be mostly an online and an MBO-led brand? Or will it be also launched in some of the EBOs?

**Vedant Modi:** So, to start with, for the first year or so, we will only focus on the online part of things and the dealer network. And as the brand kind of gains momentum and we understand exactly the products that are working, we will also definitely evaluate an EBO strategy for the same.

**Moderator:** The next question is from the line of Sameer Gupta from IIFL Securities Limited.

**Sameer Gupta:** Sir, firstly, on the wedding dates part in 2H. Now when I look at these various sources available online, I see there are a total of around 45 wedding dates in 2H, and this number was roughly around 42 last year. So, is it just the difference of 3 days which is exhibiting in the confidence? Or is it also a tepid consumption environment, which was there last year, and you don't foresee that happening this year? Just a little bit of clarification on this part, sir.

**Vedant Modi:** I think there are 2 sides to this answer. Now like I've been mentioning continuously, wedding dates is not directly proportional to the number of weddings that happen. And I'll explain some more nuances to this side. If you look at last year, last year, there was -- shraadh was in October.

And weddings were also in the later part of November, I think the first wedding date started from 24th, 25th November. And because this year, things are normalized, the first wedding date actually starts in the early part of November, which is 11th November or so. And hence, the business will also flourish in the entire month of October.

So, it's not just on the exact date, but how spread out the dates are as well. So last year, we only got about 4, 4.5 months to do business. Whereas this year, we will get a complete 6 months to do business in quarter 3 and quarter 4. So that is a more important point for us than just the pure quantity of dates, which are quite sufficient if you look at H2 overall.

**Sameer Gupta:** Got it, sir. Is there a difference in consumer behaviour also, where dates are like bunched up together versus spread out?

**Vedant Modi:** Again, this is very difficult to answer exactly. But when the dates are bunched up, this leads to a very high traffic in a shorter amount of time, which is unfavourable in some cases. So, it is always better when things are slightly more spread out. So not getting October as a season for shopping is very rare in our case.

Because typically, we see a great October, followed by an amazing November and a decent December, which was not the case last year. However, as I mentioned, Diwali is early, and hence, the wedding season starts early, so we should see good traction in October as well, helping things be a little smoother and longer overall.

**Sameer Gupta:** Got it, sir. Just one more question from me. We've seen a sharp decline in other expenses, even if I call out job work, it's around a 22% decline this quarter. And a large part of this is ad spends and variable trends. So -- which would imply that you might have cut down on ad spends materially this quarter and this amid rising competition in this space. Just a color on that.

**Vedant Modi:** Sure. I'll take the ad spends part. So, we had a strategic thinking around overall branding and marketing. And we've, this year, decided to hire a new partner. So, we have one of India's best creative agencies that has now come on board as a partner to help us strategically rethink our positioning and the way we do our campaign. And we wanted to kind of focus on the core hygiene pieces of A&P in the first quarter, from 2 perspectives: one, as we get the strategy right, for the largest season; and two, as we already knew that the wedding quarter is not something which is great.

So, we wanted to save money for the later part of the year. So that's how we've kind of thought of marketing budget this year where we'll heavily spend in the remaining parts of the year and focus on only the hygiene sides of A&P in the first quarter. Rahul, would you like to add anything on the other side?

**Rahul Murarka:** No, I think that was the major reason for decrease in other costs advertisement.

**Vedant Modi:** Okay.

**Moderator:** The next question is from the line of Ayush from Shravas Capital.

**Ayush:** Sir, I just had one question. This was mainly, right? So, do you see any consumer slowdown across the wedding segment, like from unorganized players as well, because you've been in touch with other people as well, right, from your industry? Or is it just that maybe we are losing share is what I'm trying to understand.

**Vedant Modi:** Well, if you look at -- so we work with the top dealers across the country. And I think these top dealers are the best representation of the unorganized side of things as well. So, I'll take your question in 2 parts, right? If I look at how the dealer network of -- our own dealer network was performing in the last couple of quarters, it was always a lot weaker than our EBO performance. So, our MBO is about 3% to 4% of our sales, compared to 92% of it being from our exclusive brand outlets. The 3% to 4% channel was always weaker throughout the year and last couple of quarters.

However, based on the booking that we saw last quarter, that shows us good confidence in the dealer network as well for all the orders that will be shipped pre-Q3. So, I think that sense of excitement is also coming back across segments in markets showing that things should be positive as we move ahead.

But from your perspective, as we saw our ASPs only rising in the last year and the last few quarters also. There was no down-trading. People were buying slightly more and buying decently more expensive things at our stores. That gives us confidence that there was most likely no market share loss to the unorganized segment.

**Ayush:** Understood. Also, just one more question. The new stores that have opened, right, like, let's say, Mohey and Twamev, the stand-alone stores that you have opened separate from the main brand, could you just give me an idea or flavour as to how in July they are coming through -- how the sales are coming through in those stores, just to get an idea as they're actually coming through and revenue throughput is coming through?

**Vedant Modi:** So, all the stores that we've opened when it comes to Twamev and Mohey, we've tried to focus on the best wedding markets of India. And these are markets that we truly understand. So, across the new doors, performance has been pretty good. Especially with Twamev, Twamev being a premium offering, that is where people tend to shop throughout the year as this target audience actually purchases a little more well in advance compared to the Manyavar audience. So, we are seeing pretty decent numbers coming in from all the new stores that we've opened.

And qualitatively, as well, we've seen great conversion rates, especially looking at it from a new brand perspective. On top of that, consumers have had great things to say about our stores. The average Google review of the new Mohey and the new Twamev stores are all averaging at about 4.8, 4.9. So, from all consumer metrics point of view, things have been very good when it comes to the new brands.

**Moderator:** The next question is from the line of Varun Singh from ICICI Securities.

**Varun Singh:** Sir, just wanted to understand on the number of store closures, if you can -- if you want to highlight like absolute number of stores that we would have closed, given what you understand is net closure stands at around 26, 27 in India.

**Vedant Modi:** Right. So, if I speak about the overall closures, there were about 23 stores that we've closed. But most of them were actually replacements that were either replaced in the last year or the new store will be opened in the next 2 to 3 months. The actual absolute closures that we've done were typically stores under 800 square feet, where we felt that the market has shifted from the area, we were operating in, and it did not make sense to replace this with a larger or a better experience store in the same market.

So as I was mentioning earlier, in any retail company, there has to be a very small percentage, in our case, which is about 2%, 2.5%, that remains the kind of fleet size that we will close every year because the market dynamics can shift from making the market move from, let's say, one older market to a relatively new market in the city.

**Varun Singh:** Understood. Understood. In that context, like the retail expansion aspirations that we have of 14% to 15%, I mean, is there any change to that context on net area addition basis, if you want to highlight?

**Rahul Murarka:** So, we have planned our -- as Vedant had explained earlier, we have planned our expansion majorly in the later half of the year. That is from H2 onwards. So -- and we feel that we will be able to achieve our plans and target, what we have targeted for the H2. And Q1, we have kept it -- we have not opened much because we knew that it will behave like a non-wedding quarter as we were expecting. So, we feel that we will be able to achieve what we have planned for the financial year in H2.

**Vedant Modi:** So again, like it comes to business development, we have a 3- to 4-year plan when it comes to business development. So, things might move from 1 quarter here and there. But at an overall macro level, things are pretty well aligned.

**Varun Singh:** Got it. Understood, sir. And just one last question on Mohey, like incremental -- incrementally, how is the stand-alone store is doing? Sir, if you can give some color on that.

**Vedant Modi:** Yes. So, in terms of the Mohey EBO that was opened in Jayanagar, we've seen great response from the consumers. The conversion rates are very healthy. And on top of that, we've seen good inventory turn ratio as well. And overall, all the retail KPIs that we've been witnessing have been positive.

However, as the store has only seen a few months, and all these few months in relative terms were not the best of the wedding season we've seen, I think we will be in a much better position to comment on the overall performance as we even see 1 full quarter of great business. So, after seeing Q3, we will be in a much better position to speak about how the overall performance of the EBO is.

**Moderator:** The next question is from the line of Nihal Jham from Ambit Capital.

**Nihal Jham:** One question was that we've obviously exited 5 cities. I just wanted to get a sense from you that when you look at, say, brand Manyavar, what is the kind of city potential that you see. Because at least say for a brand which is still 15 years old, wouldn't believe that you may need to leave certain cities. So, I just wanted to get your comments on that.

**Vedant Modi:** Yes. Sure, Nihal. So, there are 2 sides to this question. So broadly, what we understand is the potential today lies in any town or city with more than 1 lakh population or a catchment of towns and cities that give us more than 1 lakh of population. So that is the kind of focus market that we have. Today, I believe this number would add up to about 250, 300. But as the new census report comes out, I think this number should be somewhere closer to 400. So that is our overall understanding as of today within India.

On the other side of things, like I was explaining, that we have taken a strategic call to not open a lot of stores in Q1 and early parts of Q2. And the 5 cities that we've left per se is majorly on account of having a better store in the nearby market of a town. So technically, the residents of the towns we left were going to another town. So technically, while it shows we've left 5 cities, it's actually a replacement in practical terms. And these replacements had taken place before this quarter.

**Nihal Jham:** Understood. And just final question on this was that in your plan for, say, the next 6, 9 months, what would be the approximate number of new cities that you are seeing...Just a follow-up to that was that in your plan for the next 6 to 9 months for F '25, how many more cities are you planning to enter into, if you have that at this moment?

**Vedant Modi:** At this moment, I will not be able to comment on exactly the number of cities we are planning to add. But overall, what we've been kind of commenting as well is that Tier 1 has shown decent performance, whereas the major laggard has been Tier 2 and Tier 3. So, it is the kind of movement that we're seeing in the industry. And just adding on top of that, July is actually the first time that Tier 2 and Tier 3 has actually outshined Tier 1.

So, this is giving us great hope in terms of the potential that Tier 2 and Tier 3 is bringing back. So, because of the earlier months, we were kind of slowing down openings when it comes to Tier 3 and Tier 4 cities. However, if the trend that we see in July continues, we will definitely try to enter a larger number of cities than planned initially for the year.

**Moderator:** The next question is from the line of Tejas Shah from Avendus Spark Institutional Equities.

**Tejas Shah:** Just one question on competitive landscape, I believe you briefly touched upon competition from unorganized. Just wanted to know how the competition from organized segment is shaping up and what's your read of being that competition around for at least a year now?

**Vedant Modi:** Sure. So, I would like to highlight an internal study that we have taken up. So, we evaluated every single organized retailer in this industry that has more than 10 stores, and we plotted every store that has opened in the last couple of years across India. And what this study showed us is that when we compare the performance of our own stores that are next to any competition that has opened up, versus the performance of the city from a like-to-like perspective, then the stores that are actually next to the competition have a 4% delta. At the same time, there is about 15% to 20% of our cities where competition has opened up.

Even when we compare the performance of these 15% to 20% cities versus the remainder of our fleet, what we see is that these cities where competition has entered again has a 4% delta, which is positive in terms of like-to-like. So, these stores were actually less impacted. So majorly, what we understand from this data is that the entire sort of reason why we've seen impact has been on account of weddings majorly. And there is definitely a little bit of impact of consumer sort of behaviour and the overall economic conditions that we've seen in the last couple of quarters, but majorly on account of weddings.

**Tejas Shah:** Okay. And just one question, it's more of a seeking an insight from you rather than a question. We have seen it in Tanishq journey of last 20-odd years that when we opened very large stores initially, consumers were daunted, or it was intimidating for at least upper middle class to kind of step into the store.

When we are consolidating our smaller stores in fear of large stores, what is your observation? Is this -- are you thinking that there's a marginal customer who is kind of not coming because he is not used to such larger stores?

**Vedant Modi:** I think this is a very interesting question that you've asked. And this is something which we typically also hear from some of our traditional partners as well. But when we kind of track data of moving from a smaller store to a larger store, we've not seen this happen practically as much. Even when we have a smaller store next to a larger store, what we see is more about ticket size. So, someone who just wants to buy a kurta, might be going to the smaller store still. But anyone who wants to buy anything more than a kurta wants to experience the larger store.

So that is the kind of thing which we witnessed right now. But people who are in the wedding market are buying brand in many cases for the first time. So, they are expecting the grand experience. And I think the Indian consumer is a lot more confident than they were in the last decade or so. And their entire mindset has also evolved.

**Moderator:** The next question is from the line of Archana Menon from Morgan Stanley.

**Archana Menon:** Just a few questions from me on the store closure part. Firstly, do you think -- while I understand the shift because of the demand environment, do you think for the full year you will still sort of maintain the 15% to 17% retail area addition that you usually do? The second point to the store closures also, how does this impact the franchisee level relation. Are these the same franchisees who have opened stores in the larger towns? Also, would there be any inventory write-down that you would need because of this?

**Vedant Modi:** Sure, I'll take the couple of first parts of the questions. So, when we look at the full year, we have a very decent pipeline for store openings starting at the later parts of Q2 and then overall in H2. However, while the overall expectation from our end is to ensure that all the stores are open, things didn't move from 1 quarter to another.

However, at the midterm level, if I wasn't talking 2 to 3 years or 3 to 4 years, the pipeline is very healthy, and that is sort of the 14%, 15% sort of a number is where we aim to be when it comes to store openings from a square feet percentage perspective.

From your second question perspective, there are 2 kinds of stores. One which is majorly replacement. So, in a lot of cases, these are the same partners that are replacing the store, moving to a better place in the market or moving to a better part in the city. And in some case, that we've taken a call to move out of a very small Tier 3 town.

These again are stores where we've been operating for more than 6, 7 years. The partners have made decent money and now we've taken a call to exit that market and move to a slightly more modern market, where consumers are now willing to go over the market we've exited.

**Archana Menon:** Understood. And on the inventory write-off?

**Vedant Modi:** Rahulji, if you would like to kind of...

**Rahul Murarka:** So, we have been able to efficiently monitor and maintain the inventory levels effectively during all the periods, even in Q1. And our dead stock has been pretty negligible. So, from that prospect, we don't see any change at all.

**Archana Menon:** Got it. Just one final question from me. Just a bookkeeping number. Would you have an update on the number of franchisees or share of revenue from franchisees who have more than, say, 2 stores?

**Vedant Modi:** I don't have the number at the top of my head. We are happy to share it with you after the call. But it has increased over the last couple of years, because we've had a very large focus on growing with our existing partners. So, this number has definitely grown, but we will share it with you after the call.

**Moderator:** The next question is from the line of Chirag Lodaya from ValueQuest.

**Chirag Lodaya:** My first question is on Mohey. So, what is the EBO rollout plan for this year?

**Vedant Modi:** Sorry sir, I couldn't fully understand your question, because I couldn't fully listen to it.

**Chirag Lodaya:** What is the EBO rollout plan for Mohey brand?

**Vedant Modi:** So, we've opened one high street flagship EBO for now. And at the same time, we've opened a couple of mall EBO stores for Mohey. And the pipeline for Mohey and the focus for Mohey is to find the best stores in top 5 to 6 wedding markets of India. So, by the end of the year, we expect to open a few, and some of them will be opened in early parts of next year. So that is the kind of focus we have.

The goal is to be available across different regions and across different tiers so that we're able to understand how the Mohey EBO performance will be from a future perspective. So, the goal is to try out every kind of business development opportunity out there as part of the pilot for Mohey EBOs.

**Chirag Lodaya:** Okay. And in terms of composite stores, in how many stores you would be present today?

**Rahul Murarka:** 150-plus stores would be there.

**Chirag Lodaya:** Okay. And there -- are there any plans to add more in existing locations?

**Vedant Modi:** Yes. So, if you look at last year, Mohey -- so Manyavar Mohey, when we look at that concept and we look at the square feet that was opening in Mohey, so Mohey grew by 40% in terms of square feet last year.

**Chirag Lodaya:** Okay. So out of total square feet addition, 40% was towards Mohey?

**Vedant Modi:** No, sorry. That's not what I'm saying. I'm trying to say if Mohey was x square feet in FY '23, then in FY '24, we were 1.4x.

**Chirag Lodaya:** Got it. And second, I just wanted to understand, out of the total network, what percentage of network would be on COCO or FOCO, where we would be paying the rent?

**Vedant Modi:** So, COCO is very negligible. There's about 5, 6 stores in Calcutta (Kolkata) that are still on COCO. These are the older stores that we have, and we've kept them more from a traditional aspect and the historic angle. Majorly what we operate on is FOCO and FOFO. And when we talk about the store where we pay the lease cost, about 65% of our revenue comes from these stores. And the remaining 34%, 35% revenue comes from stores where it's a full FOFO model.

**Chirag Lodaya:** Got it. Got it. And just lastly, on A&P and pricing. So, is there any pricing change you would have taken this year?

**Vedant Modi:** So, there have not been any direct pricing as such. But at the company level, our ASPs have slightly grown. This is majorly on account of Mohey and Twamev being on a lower base and growing faster, and both these brands have a higher ASP than Manyavar.

**Chirag Lodaya:** So, like-to-like pricing is similar?

**Vedant Modi:** Like-to-like pricing is very similar, yes.

**Chirag Lodaya:** Right. And just lastly on A&P, if you can call out the number, what was the spend in this quarter versus base quarter?

**Vedant Modi:** This quarter was a negligible sort of A&P. We did about 2.5%, 3% in terms of A&P. And typically, this number is 5% to 6%. And the major reason is because we were not expecting a very grand wedding season, so we wanted to save up and focus majorly on H2.

**Moderator:** The next question is from the line of Mithun Aswath from Kivah Advisors.

**Mithun Aswath:** Just wanted to get a sense of what kind of opportunity size do you see in Twamev because it's catering to a higher-end sort of market? And what are the current revenues you're getting from that segment? And where you see this going over the next 2 to 3 years?

**Vedant Modi:** Well, if we look at Twamev, Twamev caters to an audience that typically falls in the income bracket of about, you could say, INR50 lakhs to about INR4 crores rupees annually. And this segment in India, while small, has a lot of spending power.

So overall, we estimate about 15% to 20% of the overall market in the next 3 to 4 years falling in the Twamev PG audience. That is why we've planned to invest a lot of money and time into this brand. And we've been seeing very good numbers over the last couple of quarters since especially we started to open EBOs.

While we don't give out to Twamev's numbers, particularly, what I can tell you is that the growth has been a lot faster than the company average. Hence, the share of Twamev as a percentage of company's revenue has been increasing quarter-on-quarter and year-on-year.

**Mithun Aswath:** Yes. Also, I just wanted to understand, are the margins also higher here?

**Vedant Modi:** Well, there are 2 sides to it. While you could say the absolute margin, we make on any product is higher, however, the gross margins today are slightly lower than the company average. And as the brand starts to scale up, the goal is to reach the company level average.

**Mithun Aswath:** Right. But do you scale up plan in terms of number of stores of Twamev from currently to where you want to get to over the next 2 to 3 years.

**Vedant Modi:** Absolutely. So today, we stand at about 5-odd stores. There are 3, 4 more stores in the pipeline currently. And the goal is to first start operating the store in the top 30 wedding markets of India, which is a position we want to be in the next 2 to 3 years. And when we say 30 markets, all these stores are super flagship stores, so very big in size and have a grand facade and ideally positioned in the best place of the market. Hence, finding these stores is a little more difficult. But the idea is when Twamev enters the market, we want to be the largest premium wear brand in that market.

**Mithun Aswath:** Sir, last question. I really need to commend your kind of your service quality in your store.

**Moderator:** I request you to come back for a follow-up question. The next question is from the line of Prateek Pareek from ICICI Prudential Life.

**Prateek Pareek:** So, my question is on specifically your July performance, which you've said that July has been better. And if can you quantify how has been the SSSG performance in the month of July only?

**Vedant Modi:** Unfortunately, this is something we will have to wait for till the next earnings call. But qualitatively, it has been pretty good.

**Prateek Pareek:** Can we say it has turned positive, if not quantitatively?

**Vedant Modi:** Yes. I mean from a July-to-July perspective, SSSG right now is positive. But I don't want to get into the specifics of it at this time.

**Prateek Pareek:** All right. All right. And second question is on Q2 performance. Obviously, I'm not asking for the forward-looking statement. But since this time around we've seen that the festive is a bit early. So, isn't it that your performance improvement expected to improve from Q2 itself rather than hopes hinging on the performance improvement from H2? What's your sense?

**Vedant Modi:** Yes. So actually, there are 2 sides to it. While definitely, we are striving towards improving the numbers starting Q2 itself. The reason we are mentioning H2 a little more is, if you look at the base of Q2, the base in itself is small. So even if there is growth, the major chunk of numbers actually lies in H2. And that is where even a little bit more growth is more important to be delivered, hence, the more focus on H2 numbers versus Q2.

**Moderator:** The next question is from the line of Sabyasachi Mukerji from Bajaj FinServ AMC.

**Sabyasachi Mukerji:** I have a question. Just to understand a bit more on this wedding dates, how spread out it is or how bunched up they are and its effect on sales and consumer behaviour. I presume we have around the bride plus groom sales about 45% odd, with the non-groom sales is about 30%, 35%, and balance, 20%, comes from about festivals.

So just to kind of connect the dots. Let's say, if the wedding dates are bunched up, then the non-groom sales go down, that 30%, 35% sales go down because people are probably not able to attend more weddings because multiple weddings are happening on the same day. And hence, it is better to have a well spread-out marriage season rather than a bunched-up season where sales might -- from our prospective sales might get impacted because our non-groom, non-bride sales get impacted. Is that a fair understanding or...

**Vedant Modi:** So partly, yes, I would say. But see, the thing is that even when we say that it's wedding attendee-related sales, these sales are more focused on the very immediate family today. Those are the guys who are buying new clothes when we talk about the kind of TG that we are catering to, not the casual wedding attendees. That doesn't make the larger chunk.

So, the only benefit that spread out dates give us is that there are more days to serve consumer, and hence, the stores are able to cater to a higher number of individuals overall. So that is the advantage of that.

And -- but at the same time, I would not say that because people are not able to attend weddings which are on the same day, because typically, people who are just attending a wedding and not the immediate family, today are not buying new products to go to a wedding. That is the endeavour of our company, that we get to a position where everyone attending a wedding is also wearing Indian wear.

**Sabyasachi Mukerji:** Okay. Okay. So just a follow-up to this is -- when you say that -- when wedding dates are bunched up, then people turn out in the store and there is obviously a capacity constraint. Maybe at this particular time, a store of yours can't hold a certain number of people more than that. And that is why we are probably opening up larger store. Is that the thought process?

**Vedant Modi:** Correct. Especially -- so the mindset that we have with larger stores is that we have a benchmark number in our systems. If productivity of a certain store is hitting certain thresholds, that means we are losing out on a certain percentage of business. And that is when we take the call of opening a larger store in that market.

**Sabyasachi Mukerji:** Got it. Got it. Very clear. Lastly, on the July trends that you mentioned that Tier 2 and 3 has somehow come back in terms of wedding sales and all. Any more colour on this? I mean compared to Tier 1 or metro, how good the Tier 2 or 3 sales have been in July?

**Vedant Modi:** As much as I would love to speak a little bit more about it, I think the only reason I would kind of not give more details on this is because July is a very small period to make assumptions on and plus the base is also pretty small. But overall, what we've seen in July, qualitatively, Tier 2, Tier 3 has outperformed Tier 1. And overall, all 3 tiers have grown.

**Moderator:** The next follow-up question is from the line of Mithun Aswath from Kivah Advisors.

**Mithun Aswath:** I was just trying to commend you on the kind of service quality is there amongst your stores, they are much, much better than their competition. I just wanted to understand how do you maintain that service level amongst your staff, which is kind of homogeneous across your stores.

Because I've tried to do a survey amongst your competition as well, you still stand out quite a bit. So -- I'm just saying that is a big differentiator. How do you maintain that? And do you see some sort of stress because of people being poached? Or -- just wanted your thoughts on that. I just wanted to understand.

**Vedant Modi:** Thank you very much for the compliment. And I think it's majorly because of the mindset with which we do retail. Our entire training is around consumer service, and that has been the major focus from day 1. And we've sort of adopted a lot of internal policies. So, this is something we picked up from one of the CEOs of a hospitality company and made it one of our mottos in retail training as well that the co-product that our retail team is actually serving for is a smile to the consumer. Anything else is a supplementary product.

So, we've kind of focused on certain ethos in the company that has allowed us to get to where we are. Plus, at the same time, with our franchisee partners, we behave like a family. We have very flexible policies. And what we understand happy franchisee partners result in happy fashion advisers, and happy fashion advisers result in great service to the end guests walking in.

**Mithun Aswath:** Yes. I'm just trying to understand how do you maintain that? How do you monitor this -- that consistency?

**Vedant Modi:** No, there are 3 sides to this as well. So one is that we have a large team of about 50 people on the ground by the company who are responsible for training all the people at the stores, and ensuring everything we learn from one store becomes a sort of a learning for all the other stores. So that is one side to it.

The second is we have a very strong franchisees scorecard system. And majority of the points in this score card are linked to consumer experience-based KPIs. So again, we monitor this very closely. And the endeavour is that every franchisee should be above 80%.

However, in case franchisees fall below 60%, then we put them in a training plan. And after multiple quarters if this plan does not help them improve, then we replace them with a franchisee who we believe will provide better consumer experience. On the third side of things, we also have our internal auditor do mystery audits. We also have a separate retail team doing just mystery audits. And on top of all of these, there's a lot of tech intervention that is happening now. So, what we've done is we've tied up with AI vendors to have our cameras now being powered by AI that throw back some consumer experience data.

We've also now launched a training app. So, by the end of this quarter, we will have a training app in the hands of every single fashion adviser in the country, with new training being deployed to them on a daily basis. So that will also sort of remove all the Chinese whispers that exist in the retail industry, and the training team will be directly able to talk to our fashion advisers. So, a lot of initiatives overall from a mindset and execution perspective happening over the years that sort of lead to high service levels.

**Moderator:** The next question is from the line of Rishi Mody from Marcellus Investment Managers.

**Rishi Mody:** Just first on the accounting side of things. Your employee cost is down Y-o-Y. Is this something you want to highlight some qualitative comments on this?

**Rahul Murarka:** Yes, sure. So, there are 2 elements to the HR cost. One is normal HR cost and then there's a director remuneration. So, the normal HR cost is increased by 11%, and director remuneration has actually gone down because there was a revision in the structure from July onwards last year. So that is the reason. But overall, other than director remuneration, the HR cost has gone up by 11%.

**Rishi Mody:** Okay. Got it. And on the other expenses, you said the major component is ad spends being reduced to half their spend. So, any other expenses that you've backed? And secondly, for the full year, do we maintain the 5%, 6% trajectory for ad spends, and hence, we go overboard in Q3? Or for the full year, we won't be able to spend that much, or we won't be needing to spend that much?

**Vedant Modi:** So, Rishi, again, we'll try to be as efficient as possible. But I would say that 5% to 6%, I think, is broadly something at a yearly perspective which we would still look at from an A&P perspective. But if we see something is not required, we will not do it. But I still think that from a planning perspective, 5% to 6% is a good number to assume for the year.

**Rishi Mody:** Okay. And apart from ad spends, any other costs that have come down on a year-on-year basis in absolute sense for the quarter?

**Rahul Murarka:** If we compare with Q1 FY '25 vis-a-vis Q1 FY '24, ad spend was the major component, I will say. It went down by INR98 million out of INR116 million drop in other costs. So majority was advertisement only, and there are other costs which are not very major, which has gone down.

**Rishi Mody:** Okay. All right. Second, I wanted to understand, you mentioned that you changed the ad agency. What's the reason for that? Because you all have built a pretty good narrative till date around your Taiyaar Hokar Aaiye and all those things that you all have built out in Manyavar Mohey and all. So just wanted to understand what's the rationale?

**Vedant Modi:** So, the thought process was to -- just more evolved. So, I think the way our marketing team used to function earlier was we would collect strategy and insights internally and then our partners would help us create great ads. But we wanted to become more mature in our thinking, have multiple people in the room who are part of this conversation, who challenge us in our thinking. And that is the main reason why we decided to go ahead and move to a more strategic marketing partner overall.

**Rishi Mody:** Okay. Any other clients that this new ad agency has worked with, some work we would have seen so that we can...

**Vedant Modi:** Yes. We have a large evaluation. We met probably every single top agency in India. And -- so we've signed up with McCann. I think you can check their work online. They work for a large number of global brands.

**Rishi Mody:** Okay. All right. Finally, just wanted to understand, you mentioned in the past calls, right, and I think someone also raised this issue, where when Q3 gets bunched up, the weddings actually don't happen in the same quantity because of some wedding hall infrastructure issue in the country and all.

So just wanted to understand, are we going to face the same issue in Q3, and hence, the expectation needs to be moderated for Q3, Q4? Or are you thinking that the infrastructure will be there, the new stores with the larger sizes will be able to handle the customer footfall, and hence, for the full year, we'll be able to go back to the INR10,000 sales per square feet? Just wanted your understanding on this piece.

**Vedant Modi:** Yes, Rishi. So, our understanding is that from currently what we hear from the market, the kind of confidence we see in all the people of the industry, we don't see any challenges for the remaining part of the year. I think we are quite hopeful, motivated and excited all at the same time for how things should be in the remaining 9 months of the year. Both from a number of weddings perspective, and I think we've invested a lot in our own infrastructure as well to cater through all the demand that possibly could come to us.

**Rishi Mody:** Okay. And we will be back to, say, FY '23 productivity levels? Because last year also, we declined in productivity, so just trying to understand whether the -- hello, can you hear me?

**Vedant Modi:** Yes, we can hear you.

**Rishi Mody:** Yes. I am just saying should we be taking FY '23 as the base to build on or FY '24 as the base to build on for the full year?

**Vedant Modi:** While I don't want to give any guidance, I think our strive is to do every possible thing we can internally, be it the best-in-class assortment to the renewed, refreshed marketing plans, a lot more efficiencies in our media channels, the best-in-class retail operations team. So, I think we're doing possibly everything we can as management and overall, as a company, in order to drive towards that growth. But it is very difficult for me to give you a quantitative number to this.

**Rishi Mody:** So, like I'm just asking, what are you internally benchmarking your productivity against? Is it the FY '24 numbers or the FY '23 numbers?

**Vedant Modi:** I think the way we read reports is majorly Y-o-Y. So internally, that's how we look at things. So, it's more from a last year comparison rather than an FY '23 comparison. However, definitely, we would like to keep benchmarks from a productivity point of view as high as possible. Difficult to say if we'll get there this year. But the aim and the endeavour is always to have the highest possible productivity we can.

**Moderator:** Ladies and gentlemen, we'll take this as the last question. I now hand the conference over to Mr. Sameer Gupta from IIFL Securities Limited for closing comments.

**Sameer Gupta:** Thank you, everyone, for participating in this call. I will just hand over to the management for any closing remarks that they have.

**Vedant Modi:** Thank you very much for attending. It's always great interacting with all of you. Positively, as a company, we will do every single thing possible in order to ensure that we make the most out of the remaining 9 months and looking forward to interacting with all of you again soon.

**Rahul Murarka:** Thank you.

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