"Vedant Fashions Limited

Q3 FY '25 Earnings Conference Call"

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of Vedant Fashions 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 an operator by pressing star then zero on 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: Hi. Good evening, everyone, and thanks for joining the third quarter conference call of Vedant Fashions. We have from the senior management, Mr. Rahul Murarka, the CFO; and Mr. Vedant Modi, the Chief Revenue Officer.

Without taking more time, let me ask Mr. Rahulji to start the conference call. Over to you, sir.

Rahul Murarka: Thank you, Sameer. Namaskar and good afternoon, everyone. I would like to start the conference with the key highlight performance metrics for the quarter and nine months ended 31st December 2024. Starting from Q3 FY '25 performance update. Revenue from operations during the period was around INR511 crores, with a growth of 7.8% over Q3 of FY '24. The company continues to report industry-leading gross margin of 67.3% and healthy EBITDA margin of 47.4%. The company reported best-in-class PAT margin of around 30.9%, and the profit after tax stood at around INR158 crores.

Sale of our customer during the quarter was around INR709 crores with a growth of around 9% over Q3 of FY '24. The company also achieved SSSG growth of around 2.6% over Q3 FY '24. During Q3, we witnessed strong recovery in Tier 2, Tier 3 cities.

Now coming to 9 months FY '25 performance update. The company reported revenue from operations of around INR1,019 crores, with a growth of around 1.5%. Sale of our customer during the period was around INR1,372 crores, with a growth of around 2.3%. The company continued to report industry-leading gross margin of around 67.5% and healthy EBITDA margin of around 47%. The EBITDA during the period stood at around INR479 crores. The company also reported healthy PAT margin of 28.2%, and the profit after tax stood at around INR287 crores.

Our YTD performance got majorly impacted because of very exceptional Q1 being a non-wedding quarter, coupled up with challenging market conditions. However, the company has been able to achieve healthy profitability metric along with positive retail KPIs.

Thank you, and Namaskar. Now I would request Vedant to please...

Vedant Modi: Thank you, and good afternoon and warm welcome to all the participants. In this quarter, we expanded our retail footprint by adding approximately 50,000 square feet of net retail area. As of December 2024, Vedant Fashions EBO area stands at 1.75 million square feet, spanning across 666 stores in 255 cities and towns globally. The national EBO footprint tally is 650 stores spread across 243 cities and towns. We also added 2 exclusive Twamev EBOs in this quarter.

Sales of our customers for the quarter ended 31st December 2024 was INR7,088 million, which grew by approximately 9% over Q3 FY '24. We also recorded SSSG growth of about 2.6% in the third quarter of FY '25 as compared to the third quarter of FY '24. We also received satisfying response for our new celebration wear offering, Diwas.

During this quarter, we witnessed good recovery in Tier 2 and Tier 3 cities. During 9 months FY '25, sale of our customer was about INR13,722 million, which grew by approximately 2.3% over 9 months of financial year '24. The subdued performance in 9 months of FY '25 was largely attributed to Q1 of FY '25 being a one-off exceptional quarter with extremely low and negligible wedding days nationally. Even during the 9-month period, all our retail KPIs were positive, reflecting healthy business dynamics.

During the quarter, we strategically ramped up our marketing initiatives across multiple channels and across brands, thereby further solidifying our brand positioning and appeal. As a customer-centric brand, we are always focused on enriching the customer journey. In line with this, we partnered with India's leading quick commerce platforms to deliver our Indian wear offerings, instantly thereby combining tradition with modern convenience. We also executed dedicated marketing campaigns on these platforms to build the category.

Moreover, we also scaled up campaigns across all our brands to drive greater consideration. Our flagship brand campaign, Aap Kab Ban Rahe Hain Manyavar was successfully broadcasted across various platforms thereby reinforcing brand recall of being synonymous to the wedding category.

Similarly, the enhanced focus on Mohey's new campaign, Jab Aap Taiyaar, Hum Taiyaar, gained widespread recognition, thereby also reflecting in brand's performance during the quarter. These campaigns resonated with both brides and grooms, along with their bridal and groom squad, capturing the emotions and transformations they experience on this journey.

We also leveraged brand building for Twamev with new campaigns that embody the essence of being truly you. Additionally, the introduction of new offerings for Diwas, our latest celebration wear brand, combined with fresh campaigns has already led to increased visibility and acceptance. Collectively, these campaigns across our brands are paving the way for next phase of evolution and growth.

As we look ahead, we are confident that we are structurally well positioned for continued growth with top-tier inventory and designs and excellent network of stores, world-class auto replenishment systems, along with a strong back-end infrastructure. These factors will enable us to thrive as market conditions improve in the coming period.

With this, I would like to open the call for Q&A.

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

Tejas Shah: Vedant, despite festival wedding tailwinds that we would have thought initially, the quarter didn't materialize as we would have anticipated. So, between consumer behaviour, macro pressure, competitive landscape and perhaps any internal execution gaps, how would you kind of segregate the headwinds here?

Vedant Modi: Thank you for this question. I think we have been really retrospecting what we can do better. And I think especially with the last couple of quarters, we didn't leave any stones unturned when it came into this Q3, be it from the most aggressive marketing quarter for us in the history of the company or be it adding new collections according to regional taste and demand at varied price points. So, for example, we did different collections for Patna, which required different taste.

We added different products for our regions in AP and Telangana. So, everything which we could have done as a company, which we understood we need to do, I think we were really focused and tried to implement. The second part sort of being competition. Like we have been mentioning, we have about odd 400 stores where there is no competition next to it, and we have about 250, 260 stores where there is competition next to it.

We don't see change in performance in either of these sorts of fleets. In fact, if you look at it from a longer-term 2-year period, the 250 stores would have actually done slightly better off than the remaining sort of the stores that we have which don't even have competition next to them.

And given the modes of the brand, we don't feel that competition per se has played a big role. But yes, we do feel at a macro level, there are some headwinds where the middle class is definitely sort of not back at the level of consumption when it comes to apparel as they used to be. And so that definitely remains to be one of the strong cases.

Even one thing which I would like to highlight that we operate across India. However, AP and Telangana as a region is one of our strongest areas in terms of penetration and also the exposure we have in those 2 states. So, I think our performance in those 2 states particularly was pretty weak versus the rest of India doing pretty well in comparison to what was happening in those 2 states. So again, those 2 states have been a little bit of a laggard compared to the rest of the country.

Tejas Shah: Any reason for that?

Vedant Modi: To be very honest with you, what we understand again, there is some macro reason that is affecting the sales in AP, Telangana when we even try to cross-check data of any other brand, we see similar trends. However, versus other retailers, our exposure definitely is much higher in those 2 states. So, while there is no key answer that we are receiving, it seems to be something a little more macro, which we are trying to sort of figure out and understand the strategy, how we can get business back to a decent level.

Tejas Shah: Perfect. Second, Vedant, the expansion plan or expansion so far has been tracking behind what we had initially kind of pencilled in. And given the current SSSG scenario, how are you managing franchise expectations? Are you fearing that after seeing 2 years of successive pressure on SSSG, there will be some disappointments on their side also on payback period? And then there could be -- even if we expand on gross basis, perhaps on net basis, we won't see that kind of footprint expansion?

Vedant Modi: So, I think sort of I take this in 2 parts. When it comes to footprint expansion, like we had mentioned in the previous 2 quarters as well, this year, we have sort of streamlined our overall store fleet and overall closures have been relatively higher compared to previous years. So, at the gross level, we will be doing a decent amount of opening, close to about 1,70,000, 1,80,000 square feet, which is what we've been focusing on for the entire financial year. So, from a gross perspective, we are on track.

And yes, I completely agree that there is a certain sense of slowness, both overall for this year in terms of openings, and you know the core reason for this is the rental inflation that we have seen. So, we feel that any lease that we sign is a 9- to 12-year bet, and we want to ensure that all the stores that we open are correct stores and at the correct price. So instead of being aggressive at this moment, we definitely feel that these prices will stable with time. And once that moment arises, that's when we want to be aggressive again in terms of openings. So that's when it comes to the openings piece.

And the second, when it comes to SSSG and overall partners, I think majority of our partners have been associated with us for long term. So, they understand the dynamics of this business. And a lot of our partners also operate in different versions of retail, so they also understand what is happening in the different brands and markets.

So, I think given the kind of visibility that they have in the market, I think people are still decently happy with the kind of performance and paybacks they are getting. They might not be as high as they used to be, but they are still best-in-class when it comes to comparison with any other brand that offers this in the market. So, I think that moat still exists, and people are still very comfortable in expanding with us.

Tejas Shah: Understood. Vedant, last one, would there be any guidance, you would in a position to give guidance on expansion for next year?

Vedant Modi: Again, it's a very tricky question. I think the goal from a next year perspective is to have good amount of opening. However, that really depends on how the rental market plays out. If things stable earlier than we anticipate, then we will definitely try to open more stores. However, if the rentals remain at similar levels, then it is difficult to comment on the scale at which we will be opening stores next year. However, from a longer-term aspect, when things do stabilize, I think that's -- from a long-term perspective, definitely we should have stable store openings.

So, our pipeline, for example, is still pretty strong. We know the locations where we want to open the stores. It's just signing them right now just feels not the right time at a large level. However, there are still certain markets where the price that we are getting is decent and we feel comfortable. So, we will continue to open those stores.

Moderator: The next question is from the line of Gaurav Jogani from JM Financial.

Gaurav Jogani: My question is with regards to Mohey. While we understand that the broader performance has been weak, if you can highlight how the brand Mohey has performed, and where are we on this journey of taking Mohey ahead as a brand and a separate EBO for the same?

Vedant Modi: Thank you for your question. Overall, I think Mohey is one brand which we have been very happy with in terms of its overall performance. It grew significantly in terms of delta to company level averages. So, the traction has been very positive. The new categories that we have been focusing on such as suits and skirt top lehengas along with sarees have shown tremendous growth and opportunity to us. So, I think Mohey has been a very exciting sort of figure for us in this quarter as well. With productivity levels now rising tremendously, we are very confident about this trend.

On top of all of these sorts of points, I think the marketing campaign also worked, which we did this quarter. And we have seen pretty good footfalls coming from Mohey as well. So, all in all, Mohey is doing pretty well, great delta in terms of the company's performance. What we feel is we will continue to open more and more Manyavar Mohey stores, giving more emphasis to Mohey in each of the stores that we open.

While the one flagship Mohey we've opened has shown decent performance, we have 2, 3 more stores in the pipeline. And while those open, we still feel that the total growth at the Manyavar Mohey concept has been doing in itself is quite high.

Gaurav Jogani: Sure. So, for example, if not the exact numbers, if you can give us some percentages. So maybe Mohey was contributing, say, to a Manyavar Mohey store, say, 20%, 25% at least in terms of productivity, that is, so is it now 50-50 at par? How is it? Any sense that you can give there?

Vedant Modi: So rather, Gaurav, here what happens is that typically, I would say, Mohey gets 25% to 30% of the retail area in one of our stores, wherever we have Mohey. Earlier, it used to achieve close to 70% of Manyavar ‘s productivity within that area. But now what we are witnessing with all the new stores and even the older stores, we have reached almost Manyavar ‘s productivity.

So, if it has 25% to 30% area, then it's also doing 25% to 30% of the business. That's the case with majority of the stores now. Everything new which we are doing is mostly this. And a lot of the older stores have also reached this mark. So, it's closer to Manyavar. It's still not there, but it's much closer to Manyavar now in the same stores.

Gaurav Jogani: Sure. And Vedant, my second and last question is with regards to the competitive intensity that you said it's largely remained the same. And even it seems from your comments that the competitors are also struggling. So, would it be a fair understanding to say that the overall ethnic market also would have not grown at the same pace and the slowness of the market is what is actually impacting the growth for you and for the entire category? And what can be done to revise the category growth from your end, you being a dealer in the market?

Vedant Modi: This is a very interesting question. So, I think, yes, qualitatively, what we understand from the market is that while last couple of years, there has been a lot of competition brands that have opened a lot of stores. There hasn't been brands that have really excited us in terms of the kind of numbers that we have seen, what the competition is sort of bringing on the table.

And at the same time, this year has been difficult across the market, the MBOs we speak to and across retailers. So, while there is definitely some sense of slowness, we also feel that this is also the case with overall mid-premium discretionary spends. I think the problem, or the macro headwind seems to be a little larger in nature rather than it being something limited to men's ethnic or celebration wear industry.

Gaurav Jogani: Sure. So, if I infer it right, it is largely due to the macro situation that you're alluding this to rather than a category issue as such, if I'm understanding it right?

Vedant Modi: Correct. If I talk to you more from a sense of what we see, every wedding that we see now compared to earlier, we feel that the consumption of Indian wear is definitely growing from a longer-term or midterm perspective. So, we feel that the category will absolutely grow from a mid- to long-term perspective, as India becomes more aspirational, as we have more discretionary income to spend, with the influence of Bollywood and the influence of overall wedding that we want to have. We definitely don't see any challenges in terms of the increase in consumption of men celebration wear. However, the last couple of quarters, we definitely see some sense of slowness and majorly on account of overall discretionary slowdown.

Gaurav Jogani: Sure. Sir, lastly, just one question here that given that you still have some scale, and you have been able to expand in a profitable manner, and that is what is keeping you afloat. But there are competitions who are running this business into deep losses, so -- and sustaining the business in such difficult times becomes all the more difficult. So, do you see further consolidation from other players, which possibly could play into your hands in the future?

Vedant Modi: It's a very difficult question to answer because I think that would depend on their strategy. But yes, I mean, I think we definitely do see pain in a lot of players that operate in the market. But what they will do is something which I will be unable to answer.

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

Sameer Gupta: Sir, firstly again, drilling a little bit deeper into this macro consumption thing. So, sir, I mean, wedding is a category where typically people will still spend. I mean, they might spend lesser, but you still expect them to spend. So just wanting to understand from you the reasons behind this subpar SSSG. Like are people down-trading towards lesser-known brands, more regional brands, they are going back to unorganized? Or is it more like you've opened stores in the vicinity where now there is a cannibalization impact? So just trying to understand this aspect, sir.

Vedant Modi: Thank you for your question. So when I think about this, so from our product strategy perspective, what we have seen happening is very interesting. So in our premium markets, we are seeing continuous growth in terms of ASPs, by introduction of more premium products. While on the lower end of the market, what we are seeing is that we are making more value products and seeing growth there.

So at a company level, our ASP has grown by about 1% or 1.5%. But if you see from a market angle, this has been quite varied. So we see both the premium end growing and the bottom end growing from our company's perspective. So it's the middle where we see that there has to be a little bit of growth coming back. So that's the sort of overall trend which we are witnessing in the market with still single-digit sort of ASP growth, low single digit.

Sameer Gupta: So then anything...

Rahul Murarka: Yes, Sameer, you were saying something?

Sameer Gupta: No, no, I'll let you finish first.

Vedant Modi: Yes. So overall, in terms of -- when we even talk about, let's say, down trading, we don't think that's happening because basket size is improving, average bill value is improving, but the trends are interesting to see how different markets are operating. And all in all, if you ask me, while the number of stores have opened a lot, which is something we've been mentioning from across different players, we still don't feel that we have been losing share, per se.

Because when we compare our data to players in our vicinity versus our stores where there are no competition next to us, we don't see much of a difference, rather the stores where there are players next to us have done slightly better off from a longer-term perspective.

Sameer Gupta: So Vedant, it still is a perplexing thing that middle, the growth needs to come back. Where exactly is this growth going right now? Wedding -- if you are saying that middle section, the weddings itself are happening lesser now, which doesn't seem logical, but it may be happening. But otherwise, they're still buying merchandise from somewhere, right?

Vedant Modi: No, no, absolutely. I am not at all mentioning that middle, the weddings are happening less. That's not at all what I'm saying. I was just mentioning about how our product strategy is trending out over the last quarter or so. But yes, like I was mentioning, even from our company's perspective, what we saw is, let's say, in the last 2 quarters, if we take all our regions but exclude AP, Telangana, then we have seen decent traction in both the quarters combined in all the other regions. The major pain that we sort of felt has been in these 2 regions.

Sameer Gupta: Got it. I get this. So second question, and you have talked about this, on the retail area growth. I understand right now, rental inflation actually has been called out by a lot of companies. But let's say, you have guided on a medium-term average of around 15% in retail area growth or mid-teens, do you like still see this happening, let's say, over a medium term despite rental inflation right now? Would you be comfortable in saying that?

Vedant Modi: Very difficult to answer for the next 1 to 2 years. But typically, what happens and what we have seen over the last 2 decades is the moment this slowness starts again in terms of the retail rental numbers, then we again become very aggressive. So the endeavour is to come back at those numbers, but it also depends on how the rental numbers will move in the next couple of quarters. So once we see those numbers coming down, that's when we will want to be aggressive again in our approach.

Sameer Gupta: And I didn't get the answer to the question on store splitting. So basically, if you have analysed like stores where there are Manyavar stores in the vicinity, is that cohort doing exceptionally -- on the lower side? Is that something that data is showing you?

Vedant Modi: No. So again, there's not anything like that, per se. So typically, this is something which we have always done. So historically also, if one store does really well, then it has been a strategy of our company to open either another store right next to it or make that store larger in size. So this is a strategy that we have always taken. And when we do this, yes, the SSSG of the old store is impacted for the first year. But this is not something new which we've done. This is a strategy which we have been following for all the many years that we have been operating in the market. So I wouldn't per se sort of put our SSSG growth numbers to this particular point as much, but rather to the more macro level environment pieces.

Moderator: The next question is from the line of Anand Shah from Axis Capital.

Anand Shah: So just a couple of questions again on that slowdown. I mean can you call out ex AP, Telangana, what was the growth or maybe whatever the salience of AP, Telangana is?

Vedant Modi: Sorry, can you please repeat that question? It was slightly less audible for us.

Anand Shah: Just one second. Yes, you can hear me properly?

Vedant Modi: Yes, yes.

Anand Shah: Yes. So I was asking, basically, can you call out the growth that you saw excluding of AP, Telangana overall at the company average? Or maybe what is the salience of AP, Telangana in the overall business?

Vedant Modi: Yes. So broadly what we saw is about 10% growth in L2L when we see the last 2 quarters, excluding of AP, Telangana. So our SSSG was about 10% in Q2 and Q3 combined when we exclude AP, Telangana.

Anand Shah: When you exclude AP, Telangana. Okay. Okay. Got it. And I mean -- so your reported SSSG also would be similar, right, I mean, if I take Q2, Q3 combined, wouldn't it be? I mean it was 17% and 3% this quarter, right?

Vedant Modi: Yes. Yes, that's right.

Anand Shah: Okay. So then it was similar SSSG, I mean, if you exclude AP, Telangana also.

Vedant Modi: No, it is -- the delta is there. The delta is about 2%, 3% that we see.

Anand Shah: 2%, 3%, okay.

Rahul Murarka: If you are talking about this quarter, we reported SSSG of 2.6%, okay? And exclude AP, Telangana, then it is around 5%.

Anand Shah: Got it. So 2% to 3% SSSG delta. Got it. Got it. Okay. And secondly, I mean, can you share any data or insights on -- I mean, which part of the business is more impacted? I mean, your bride groom business, which is the core wedding business and the overall entourage that attends the other parts. Which part is seeing more stress here?

Vedant Modi: There wasn't much of a change. So there was just maybe a 1% delta positive towards the non-groom bride side overall from a 9-month perspective. So not much of a change at all. And this is something which I think we have always been expecting that the wedding attendee business will grow slightly faster than the groom bride business. So it's broadly in line.

Anand Shah: Got it. Got it. Now my second question is any insights you can throw on Twamev as to how it is doing and what are the expansion plans there? Or any salience, actually how much -- how Twamev contributes to the overall business?

Vedant Modi: Yes. So Twamev's contribution within the flagship stores has been continuously increasing, especially on the premiumization story in metro cities. So the traction has been very good. A lot of our growth has come from Twamev within the Manyavar Mohey stores. And Twamev EBOs, on the other hand, also continue to perform decently well.

So currently, we have about 7 EBOs with 2 EBOs opening this quarter. And we have a few more EBOs in the pipeline with one super flagship store also that will be opening sometime in the second quarter of next year. So this is the current plan for Twamev overall.

And we have also sort of started infusing Twamev women within our Manyavar Mohey stores, which is also going to be a good lever for our women's business part of the larger fleet. So that is also something which is quite exciting for us.

Anand Shah: Okay. Got it. So I mean, when you say 25% of space is allocated to Mohey, I mean, is it what 5% to 10% for Twamev now that you open, the new stores that you do?

Vedant Modi: So very difficult to answer because Twamev, we don't give any particular area in the store. Rather, let's say, if we have Twamev kurtas, then they will be alongside Manyavar kurtas in the same shelf space. And the interesting part is, let's say, a store like Lower Parel, which contributes almost 25%, 30% of its business through Twamev, the inventory would only be close to 8%, 9%, 10% because the ASP is about 3x compared to the rest of the brands. Hence, it doesn't occupy as much area but does a lot more in business.

Anand Shah: Got it. Got it. So I mean, both Mohey and Twamev are tracking much stronger than the company average, and expansion on both of them remains a big focus area in the medium term.

Vedant Modi: Absolutely, absolutely.

Anand Shah: Got it. Got it. And lastly on expansion, I mean, the consolidation or the store closures that you are doing, that is now completely done?

Vedant Modi: So again, like I mentioned, there was a large exercise that was done. There are a few more stores that we have to take a call on, but not to the level at which we were sort of going through before.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Vedant, first is on rental inflation. So there has been weak demand environment which has been prolonged, right? So typically, such environment does see a good amount of store closures, and we are also sort of consolidating our network. In such periods, rentals sort of tend to ease. So I just wanted to check the reason for these inflated rentals continuing. And are there still brands across categories continuing to open stores?

Vedant Modi: Yes. I think what we kind of witnessed is the rental prices are still hiked from our perspective. And when we say that we have consolidated, the kind of markets where we have sort of left are

Tier 3 markets majorly or very corner markets in a Tier 2 or a Tier 1 city. So the kind of markets we have left in terms of stores are markets where we can still easily find the store. The challenge lies in core markets where demand is already high, where the prices are becoming very difficult. So those are the kind of markets where the pain lies in terms of rental inflation.

And yes, I think there are definitely people signing up stores. And basis our network of people we talk to in the retail industry, I think there is definitely a lot of B2C offline brands who are signing these stores at very high rental levels because their rental OC benchmarks also for the beginning are very different. So I think there are brands which are signing, but definitely, I think people are more cautious than before. And any long-term retailer is definitely sort of going to take a step back at this.

Devanshu Bansal: Got it. Got it. And for Mohey, Vedant, you mentioned that revenue productivity is now more or less similar to Manyavar. I also wanted to check on the margin and working capital requirements for Mohey vis-à-vis Manyavar. So are they also sort of broadly familiar or there is some difference between Mohey and Manyavar?

Vedant Modi: So Mohey's gross margins are lower than the company's average gross margins today. However, they have been trending pretty well for us. So we've been able to control our dead stock continuously while also improving on our overall merchandising mix. Working capital will broadly be in line with Manyavar. So working capital is pretty much similar. However, gross margins are slightly lower.

Devanshu Bansal: Understood. Last question from my end, you have indicated that Tier 2, 3 markets have done well for us, right? So excluding metros similar to the number that you have shared excluding AP, Telangana, so what would be the growth trends in rest of the regions for us?

Vedant Modi: Broadly, I think Tier 2, Tier 3 has a 5% delta over metros. So that's the sort of improvement we've seen. But the encouraging piece is that the trend was the other way around for many quarters up until Q1. So a reversing trend was very sort of positive from our perspective.

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

Rishi Mody: So Vedant, firstly, just if you could give us an update on how, say, the January month has gone. Is it better? Have things improved? Or are they still looking the way they have been in Q3?

Vedant Modi: I think broadly, it's -- what we have seen is only 30 days, of which 15 days are always slower than normal period. So we have only seen about 15 days of January. But in the current 30 days, it's been similar to Q3. However, I think we would like to see a little more before we give a proper commentary by the next earnings call or so.

Rishi Mody: Okay. Got it. Second, just I have been noticing a trend in your -- so your purchase of stock in trade, right, as a percentage of COGS which is effectively, in my understanding, the pieces that you are buying from a third-party wholesaler, in the last 1 year or last 6 quarters has gone up consistently. It's now trending in the 70% range. Earlier, it used to be in the 40% range.

Now from what I understand these pieces don't have a lot of differentiation when -- like the commonality between, say, an unorganized player and your piece becomes higher. So the pricing then becomes the determinant rather than the design and quality of the product or the finish of the product. So firstly, like, is that the case? Or am I reading this wrong? Secondly, if that is the case?

Vedant Modi: I think that's a good question. The range definitely is wrong. So it's not 40% or 70%. I'll let Rahulji get back with you on the data of that. However, if I explain to you what we are trying to do, like I mentioned, we are being very aggressive in terms of our product strategy in order to ensure we can do whatever is possible from a market perspective, so be it creating more value products for places where we need value or be it premiumizing at the top end.

Hence, you see that this percent has risen, which is just an explanation to our more aggressive strategy towards having more variety in different areas and different parts of the country. And at the same time, like I mentioned, Mohey is majorly purchased in trade and Mohey has seen very decent growth. So that's again another reason why this number has increased. Rahulji, do you have any...

Rishi Mody: Yes, but Mohey is, what, 20%, 25%, right? It's not as if Mohey has doubled in the last 1 year that as a percentage of your revenue that this sharper jump should occur. So like I'm looking at the Q3 versus Q3.

Rahul Murarka: Yes, Rishi. So a couple of things. One is as a percentage of COGS, there is job charges, which is a major part of the expense, which actually comes under other expense which, unfortunately the results which you see, you are not able to view that amount. Now if you consider that amount and then when you compute the percentage, so I mean, there's no major variation as such in the mix, per se.

Maybe a few percentages, okay, but not major what we are discussing. Because the major component of job charges, which happens to be a part of other expense. And considering the wedding season which is going on and all, so inventory levels have gone up, and the production has also gone up. So overall, all the consumption, job charge, everything has gone up, and so the purchase of stock in trade has also gone up accordingly. But yes, it has slightly increased in the proportion but not to the extent as you were mentioning.

Vedant Modi: I will give you one broad example. We will get back with the exact numbers to you. But broadly, if I am right, then we would purchase close to about 20%, 21% of our stock overall at the company level. That might be closer to 24%, 25% now. So we will get back with the exact figures, but that's broadly the change, which is 400, 500 basis points from an overall angle, just being a little more aggressive from a variety angle.

Rishi Mody: Okay. So localization, the incremental localization is what you're saying, you're getting it from the wholesalers rather than investing in the design...

Vedant Modi: Also just another part which you mentioned in your question, our vendors have an exclusivity deal with us. So any men product that we procure, we are guaranteed exclusivity on our products.

So while that is not the case with most other players buying from the same vendor, if any product is purchased by us, we have exclusivity over that particular design.

Rishi Mody: Okay. All right. I wanted to understand the marketing piece, right? So we spent a decent chunk, we spent like INR50 crores extra in this quarter in other expenses. Now I don't know whether it's entirely attributed to marketing or not, but I am assuming it's largely attributed to marketing. So we are not getting the ROI against it, it seems. So where -- like what are your thoughts on what needs to be done on this front? Like earlier the strategy of hiring bigger stars, movies, ads and movies worked out very well, TVs, hoardings, all of that. Now we have changed the strategy to hiring lesser-known stars, more digital. So like I just wanted your thoughts on what needs to improve here to bring the footfalls back?

Vedant Modi: Yes. So I think, firstly, on the marketing spend perspective, so broadly, last year at a YTD level, we were at 5.6%. This year, we are at about 5.8%. So at a YTD level, spends have not actually changed...

Rishi Mody: Yes, but YTD doesn't matter, right? Because your Q4 this year is like more wedding dates than in Q4 last year. So you are going to spend more -- or ideally, you would have liked to spend more in Q3, Q4, right? So...

Vedant Modi: Yes, there might be a change, but it won't be significantly different to last year. Let's say, that could be a 40 to 60 basis point difference, maybe 70-point basis difference at a year level marketing percentage difference, but not significantly different. So I think that's the first piece. And coming to the strategy part of your question, we changed our overall approach towards marketing.

We have a new partner onboard, quite regarded as the best marketing agency in India. And what we are trying to do is bring back focus on the brand and the tag line. So the focus shifts from, let's say, a large celebrity to the tag line itself, which is Aap Kab Ban Rahe Hain Manyavar?

And I think one thing which we have understood over the last 2 decades is any brand marketing that you do is not for the quarter or the next quarter, it plays a larger role in the many years that have to come. So I think judging how the spends bring results in 1 quarter is very difficult for most brands. So yes, I mean, there should be some sort of a delta that great marketing can give us. But in most cases, good marketing gives you delta for the many years to come rather than just the quarter itself.

Moderator: The next question is from the line of Naveen Baid from Nuvama Asset Management. As there is no response, we'll move to the next question, which is from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: My question was again with respect to marketing. Now given that we are in mix of a very strong -- I mean, generally a strong wedding season, is there more we can do around marketing? I heard your commentary around what all we have done, and I also understand we generally don't do discounting. But is there a need for us to revive the demand momentum back to do some kind of activations or discounting in this quarter?

Vedant Modi: So I guess, definitely, I would say there is need to have great marketing. There is no doubt about that. But discounting as a topic, we feel, is against the core philosophy on which our company has been built, which is when anyone is celebrating, I don't think it is easy to attract them with a discount in the first place. And the second place, discount majorly is a mechanism of liquidating dead stock, which is something we majorly don't have in our company.

So I completely agree to your point that there is need of great marketing and very efficient spending as well, which is something which we are striving to do and continue to focus our overall methodology on. You would have seen that in this quarter, we did some interesting smaller campaigns with Zepto and Blinkit, which both sort of saw some level of virality.

We also did a very large digital campaign with both Manyavar and Mohey achieving great visibility. So I think we are definitely on our jobs in terms of great marketing, but discount is never going to most likely be a part of our marketing strategy.

Another very interesting thing, if I kind of talk about, is marketplaces which tend to be a highly discounted methodology of selling apparels. Even there with Diwas, we were able to showcase pretty decent performance. And all the marketplaces in our sort of quarterly meetings with them were in line that there is no need to discount even a brand like Diwas.

So when that is the confidence which we are seeing with our products on marketplaces, I think when it comes to EBO, which is our major channel, there definitely is no need to be thinking on lines of discounting, per se.

Sheela Rathi: Understood, Vedant. Now because we just touched upon the marketplaces, could you just remind us what is the share of the online piece for us now? And I mean, how are we seeing the trends there versus for other categories?

Vedant Modi: It's about 3% to 4%, but our growth has been very strong in the online segment. We have been growing probably the fastest in that as a channel. And overall, about 70-odd percent growth is what we've seen in Q3 when it comes to online.

Sheela Rathi: Understood. So probably, we will be focusing on this channel more aggressively going ahead, at least for certain type of our offering.

Vedant Modi: So actually if I am being very honest with you, I think our focus has been very high for the last 2 to 3 years, but with a large focus on Diwas. And having the kind of product offering that really moves online, has just given us the ability to scale things much faster. And even a very large focus on our in-house tech through manyavar.com has improved our conversion rate significantly, which also improves our ROAs, allowing us to spend more money and get better returns out of what we spend on performance marketing. So mix of both Manyavar and Diwas-led online growth, I think will set us for the long-term future. A lot of this online growth also came from our quick commerce channels as well.

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

Tejas Shah: One follow-up, Vedant, and partly academic in nature of this question. But led by many media reports and other sources, last quarter was supposed to have a very loaded wedding season with some 4 million or 5 million weddings, depending upon which source you actually referred to. So just to channelize our future effort in right direction, do you see any credibility or any right way or forecasting significance of some of these wedding dates in terms of understanding whether it will culminate into demand? Or these are just vanity metric or vanity signs which we use for our reports and then for general discussion, but it may or may not turn out to be converting into demand later?

Vedant Modi: I think majority of the research that you see online is very biased. And if you go deeper and see the sample source, it would be very small. So sometimes there are data on how much people spend during their weddings and you will find that the sample was 1,500 people from Bangalore, which is very biased. And similar, with the amount of weddings that will happen will be based on a report with about a sample size of 1,000 to 2,000 people. So I think we don't, per se, take a lot of learnings from these reports. However, broadly at a macro level there will be 1 crores weddings in India.

And the formula that sort of -- I always see as an easy way of seeing it as 140 crores population, 70 years of life expectancy divided by a couple which is 2 people, gets you a number of 1 crore. So while there can be shift of wedding dates from one quarter to another, if we take 2 years as a whole, there will most likely be 2 crores weddings that will happen in the country. So I think from a 2-year perspective, we are very clear, but how number of weddings move from one quarter to another, there is no clear data or understanding. Wedding dates are a great methodology of understanding approximately how many weddings will happen but not to a great sort of accuracy.

Tejas Shah: Sure. So if we just refer to the last quarter, where did the disappointment come from? The number of weddings were overstated or the kind of spend that we thought will happen but did not come through?

Vedant Modi: No. So I think there was definitely not a big challenge with number of weddings, especially in a quarter like this October to December. The major sort of -- at least from our perspective, we saw great conversions, good ASP, good sort of average basket size. Majority of our sort of alpha growth, which we should have seen was missing from a footfall perspective, which is, I think, where the main delta lies. And I think that is something which we are working towards, and which is what we really need to bring back. And this is, I think, the case with most of the other mid-premium retailers have faced.

Moderator: The next question is from the line of Akhil Parekh from B&K Securities.

Akhil Parekh: Vedant, my first question is on the demand in AP and Telangana. There is another listed player who happens to be in ethnic wear, name Sai Silks. 60% of business comes from AP and Telangana, right? But the commentary given by the company, as numbers reported by the company has quite contradictory to what you are mentioning. Because they said categorically that there is no slowdown in wedding consumption. Their SSSG growth has been 7% while top line growth is 16% plus.

Could you please throw some light why -- and also a supplementary question to it, is it we are facing challenge more on Mohey side in these 2 particular states? Or is it broad-based weakness in both the brands? Yes, that's my first question.

Vedant Modi: Yes. So I think this is a question which we also have sort of raised to our internal teams, and we did see sort of these numbers. But a majority of what we understand from this is brands which are closer to us in their offering, which are more men's celebration wear brands, that is where the pain has sort of lied in that market. So it's very difficult for me to compare to a company that has a very different offering. Hence, it's sort of a difficult question to answer. But we have sort of a research going on in this space. And once we have more answers, I think I will definitely be happy to discuss that with you.

Akhil Parekh: Okay. But would it be fair to say like Mohey has done reasonably better in these 2 states as well, as you have highlighted for pan-India?

Vedant Modi: Yes. So women's performance would be slightly better. But in AP, Telangana, we actually don't have a lot of Mohey penetration because it's taken care by our brand, Mebaz. So majority of our women's wear offering and women's wear penetration is in the form of Mebaz. So Mohey doesn't actually have that much penetration in those markets.

Akhil Parekh: Fair enough. And second and last question on footfalls and conversion rate. I don't know if we maintain those data points. And how do the convergence and the footfall number look like, maybe on a per store basis as of now versus say pre-pandemic levels?

Vedant Modi: So broadly, the data that we sort of understand is we do about 75% to 80% conversion at a group level when it comes to our men's business and about 60%, 65% conversions now when it comes to our women's wear business. So, these are in line and have been doing pretty well. And in terms of footfall, if you look at the quarter, our ASP growth was about 1%. So, the remaining 1.5%, 2% growth, which came from an SSSG perspective, was all led by slightly higher footfalls.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Vedant Modi: Thank you. It is always great interacting with all of you. We strive to do the best and really focus on all our internal KPIs, and we have great plans of working very efficiently to sort of get good growth in the mid and long term. And thank you very much. Looking forward to interacting 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.