Timex Group India

Vansh Pradeep – IR: Good afternoon, everyone. Welcome to the investor call of Timex Group India Ltd. Today, from the company management team, we have Mr. Deepak Chhabra, Managing Director; Mr. Amit Jain, CFO; and myself, Vansh Pradeep from IR. This call will be a question-and-answer session, and we will not be making any presentation. We will take questions from the people in the room first and then from those on the call. You can raise your hand and ask your questions, and we will try to answer all of them after taking the questions at the beginning. If you have further questions, you can also put them in the chat box, and we will be happy to answer them. Please note that we will not be sharing any future guidance or unpublished price-sensitive information, so please try to avoid such questions. We will start from here. Priyanshu, if you have any questions, you can go ahead.

Priyanshu: My first question is on positioning. We are trying to move towards the mass-premium segment, and we have done quite well over the past year and are now profitable as well. It is a turnaround story. Going forward, how are we positioning ourselves for the future?

My second question is on expansion. I think when I attended the last call a year ago, we were not expanding into retail stores. Is the positioning the same for this year as well? If we look at the recent launches, partnerships, and other initiatives, are there any launches apart from Aston Martin or any other collections that we are launching currently? Going forward, I also wanted to understand how the marketing and sales functions are working. Are we collaborating with any influencers? If we look at increasing our presence and positioning ourselves among customers, these are my questions.

Unidentified Analyst 1: My first question is about Daniel Wellington. It was quite a surprise to see {? Shervary ?} being onboarded for DW. I want to understand our strategy for DW and the current sales this brand is generating for us versus the targets we have for this particular brand. Currently, I believe it is operating through a limited number of channels. How do you intend to expand those channels to grow the brand? What are your internal targets in terms of how large this brand can become for us?

My second question is regarding the 1P buyers. Do we get any indication or projection from them, given how these festivals are planned in advance? What cues are you getting from these 1P players?

My other question is regarding what we discussed last time: how we could spend on increasing the visibility of Just Watches so that people can associate it with Timex. These are my broad questions. I will join the queue.

Unidentified Analyst 2: My first question is about the quick-commerce segment. I did not see anything about quick commerce in the presentation. There was mention of e-commerce sites such as Blinkit, but there was no further mention of quick commerce. My second question is about Aston Martin. You mentioned that it is performing very well. What is the total revenue from Aston Martin, and what is the margin for this segment? My third question is about advertising expenses, which have increased by 50% this time. Is there any one-time expense behind this 50% increase, or is this the normal trend?

Vansh Pradeep – IR: We will now take questions from the people on the call. Mr. Divyam Doshi.

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Divyam Doshi: Hi, sir. Congratulations on the wonderful quarter. I wanted to ask about the performance of the Timex and Just Watches stores. From an EBITDA perspective, which brand is contributing the most in percentage terms, and where are the highest-margin brands? Thank you.

Vansh Pradeep – IR: Mr. Bhavya Sonewala.

Bhavya Sonewala: Thank you. Am I audible?

Management: Yes.

Bhavya Sonewala: Firstly, congratulations not only on this quarter but also on the last few years, which have reflected very good execution. I have one question. If I take a medium- or long-term view, do we believe that we are still in the early or middle stages of growth? Considering that there are many offline stores that can also bring growth, as you mentioned last time, where do you think we stand in terms of future growth?

Deepak Chhabra – Managing Director: Is Bhavya talking only about online growth or about the initial stage of growth in the overall business?

Bhavya Sonewala: I mean overall growth.

Deepak Chhabra – Managing Director: Understood.

Vansh Pradeep – IR: Mr. Pritesh Chheda.

Pritesh Chheda: Can you hear me?

Vansh Pradeep – IR: Yes, please go ahead.

Pritesh Chheda: Hello, sir. How are you?

Deepak Chhabra – Managing Director: All good, Pritesh. Thank you.

Pritesh Chheda: My first question is on volume growth. Could you comment on the volume growth for the quarter? How did your own brands, licensed brands, and OEM manufacturing perform during the quarter? What is your general outlook on consumption-demand trends, and how do you see volume growth developing for the year? What are your key priorities at this stage of the year or for FY27? These are my broad questions. Thank you.

Vansh Pradeep – IR: Mr. Ajay Surya.

Ajay Surya: Congratulations on the performance. My first question is regarding the Timex own-brand royalty. Year-on-year, it has moved from 7 crores to 8 crores. However, when I look at Timex brand growth, it is 42% year-on-year. I wanted to understand whether the imported portion of Timex watches has been growing in a larger proportion than Indian manufacturing, which has resulted in the Timex brand growing while royalty has not grown proportionately.

My second question is about the Guess brand. It has been continuously growing at a high rate over the last few quarters. I wanted to understand your comments on channel stuffing and whether there

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is any inventory clearing that cannot support such growth in the future.

My next question is about inventory. We prepare aggressively for the festival season with our inventory, and when I look at this quarter as well—

Ajay Surya: Thank you. My next question is on inventory. We build our inventory aggressively for festive demand. Even in the current results, we can see a significant inventory build-up. Could you break this down between raw materials and finished goods, and also between locally sourced and imported goods?

My last question is on margins. This quarter's margins were significantly higher than the operating margins you had guided for over the last 1-2 years. You explained the Q4 margins very well: the royalty portion had not been recognized, which resulted in an additional 5-6% in operating margin. However, even in this quarter, margins have been very strong. I wanted to understand whether management would like to revise its guidance, or what the primary reasons were for these high margins. That is all.

Vansh Pradeep – IR: Thank you. Mr. Sumit Nagpal.

Sumit Nagpal: Am I audible?

Vansh Pradeep – IR: Yes.

Sumit Nagpal: Firstly, congratulations to the team on a great set of results, and pardon me if some of these questions have been answered in previous calls. I have a couple of queries.

If we look at our offline and online channels, over the past 2 years there has been some rationalization. Our touch points in terms of multi-brand stores and large-format stores have remained constant. I wanted some colour on our strategy for offline expansion, particularly regarding opening our own stores and how we plan to proceed.

Second, since we have been scaling up quite rapidly online, is there any data indicating the repeat percentage that we have for Timex as a brand? These are my two questions.

Vansh Pradeep – IR: Mr. Parth Dalal.

Parth Dalal: Hi, sir. Congratulations on the fantastic numbers. Last time when we spoke, you said that you had purchased a large piece of land in Baddi and that construction work was underway. I wanted to check whether construction has been completed and what the status of the assembly lines is, because you had said it would take around 30-45 days. Thank you.

Vansh Pradeep – IR: Mr. Viraj Parekh.

Vansh Pradeep – IR: Mr. Viraj Parekh.

Vansh Pradeep – IR: Mr. Parikshit Kabra.

Parikshit Kabra: Hello. Am I audible? Sorry. Is it me? I am Parikshit. Should I ask the question, or is Viraj going to speak?

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Vansh Pradeep – IR: Parikshit, please go ahead.

Parikshit Kabra: I have a broader question. I am new to the company, and I have seen that growth has accelerated significantly over the last few years. What would you attribute this to? There may be several other levers, but the levers I was considering are whether we have added new brands, whether there is a general industry tailwind, whether a competitor in the same price bracket has retreated, or whether we have improved our marketing in a significant way that allows us to expand as quickly as we are. It could obviously be a combination of these factors. How would you attribute your success?

Vansh Pradeep – IR: Mr. Ansh Gupta.

Ansh Gupta: Hello?

Vansh Pradeep – IR: Yes, please go ahead.

Ansh Gupta: Am I audible?

Vansh Pradeep – IR: Yes.

Ansh Gupta: Congratulations on the quarter. What is the current scale of the Guess Jewellery business in terms of revenue distribution and the number of active points of sale? Over the next 3 years, do you expect jewellery to become a meaningful standalone revenue and profit contributor for the business?

My next question is about Versace. Could you help us understand the economics of the Versace portfolio? At what broad transfer-price or landed-cost range does Timex Group procure Versace watches from Vertime? These are my two questions.

Vansh Pradeep – IR: Mr. Viraj Parekh, are you there?

Viraj Parekh: Good afternoon, sir. Am I audible?

Vansh Pradeep – IR: Yes.

Viraj Parekh: Many congratulations on the consistently strong performance. I have a broad-based question. We are planning a capacity expansion from approximately 6 million to 10 million units. What would be the likely timeline for achieving this? How should we look at current capacity utilization versus the utilization we are targeting at the higher capacity? That is all from my side. Thank you.

Management: We have several questions. I think Rajat has a question. We have a question on capacity expansion.

First of all, good afternoon, and thank you for joining us. I will try to answer all the questions that have been asked, and any follow-up questions can also be put forward. I will broadly cover the results, what happened, what we delivered, and how we delivered it.

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Revenue grew by 30%, although I believe you are not very excited about that. A 30% growth rate has generated less excitement, which is understandable. I will explain what should have been expected in terms of revenue.

Diwali is 3 weeks later than last year, which has led to some phasing difference. Everything has moved ahead by 3 weeks, and that makes a significant difference at the quarter-end. That is one reason. Even I was not very excited about 30% growth, but this is one of the reasons I can share with you. It is the phasing of Diwali, and Diwali drives the entire buying cycle for our customers, both online and offline.

The other reason, also related to phasing, has had a larger impact on our revenue growth: the OEM business. OEM business is largely online-driven, and online events are supposed to start approximately 1 month before Diwali, around October 6 or 7. This means that inward shipments will happen later. Our OEM business therefore saw a decline, a larger decline compared with last year, solely because of the change in phasing. Since the business is largely online-driven, the online phasing has changed.

If I were to adjust for that and assume that OEM growth was flat, we would have grown at 49%. OEM contribution during this quarter was generally higher last year because it is largely online-driven. These are the two major reasons for the revenue performance. There are no red flags, so do not worry about it. I am also not excited about 30% growth.

Secondly, we have a good structure. As I always mention, we have built our business in such a way that whatever we sell in terms of brand and wherever we sell it in terms of channel delivers similar EBITDA. Product margins may differ, but EBITDA delivery is similar across all our brands, whether licensed or owned, and across OEM and the various channels.

Generally, if you look at product margins, they decline when we sell less OEM because OEM margins are lower. However, there is no cost to operate that business, so EBITDA delivery is similar.

We delivered EBITDA ahead of the same quarter last year and ahead of the full year last year. EBITDA margin expanded to 16.3% from approximately 13% last year. If we look at the full year, {? 26 ?}, we delivered approximately 14.5%. This is a positive movement towards higher delivery despite growth being lower than the growth in the last quarter or the full year.

This also flows down to PBT, which expanded to 15.4% versus 11.7% in the same quarter last year, with the full-year figure at 12.7%. Despite 30% growth versus last year, which is somewhat lower than the growth in Q4 last year, our EBITDA and PBT delivery are higher. This is largely because there is no additional cost.

I will also cover marketing costs here. Marketing investment in this quarter increased to 8.5% of revenue versus 7.5% of revenue last year. In absolute terms, we invested approximately 6 crores more than last year. This largely reflects our commitment to create more demand in line with our growth expectations.

This is the time when we start increasing investment because the season is approaching. For example, everything begins this month. We have Raksha Bandhan, Onam, Durga Puja, followed by

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Diwali and many other events. Therefore, this is an intentional investment, higher than our usual investment, but it remains within our guidance. I have always said that we invest 7-8% in marketing, and this is 8.5%.

This is planned. It is not because of any previous commitments that we have to fulfil for a customer. It is part of our strategic planning. We generally taper down marketing investment in Q4 but invest more in Q1 and Q2 because of the festive season and the build-up of the business.

That broadly covers the quarterly performance. As I said, the 30% growth is due to phasing and the OEM business declining because of phasing. The OEM business should come back strongly in the period ahead because of the Diwali phasing. If I add back the OEM business at flat growth, that itself gives us approximately 16-18% higher growth.

On the mix, e-commerce continues to show strong growth and has grown by 67%. Trade has grown by 51%. OEM has declined by 45%. This tells you the whole story: our core business is growing much faster, while OEM has been impacted by phasing.

On the brands, our key brand Timex has grown by 42%, while Guess has grown by 74%. Aston Martin was not present last year, so there is no comparison, but it is growing and gaining a good share. I will elaborate separately on Aston Martin, since there was a question about it.

The last point on performance relates to the inventory questions. As I always say, our aspiration is to grow faster, so we invest in inventory. However, our inventory turns have actually improved compared with last year. Last year, inventory turns were 2.52 times; this year, they are 2.54 times. Despite building more inventory, our inventory turns have improved.

In absolute terms, inventory may not appear meaningful because we are growing faster and need to provide for that growth and for the phasing. Q2 is generally much larger, and this time it should be even larger because online and offline buying will occur in the same quarter. Generally, online buying precedes offline buying by 1 month, and that usually falls in June because Diwali generally takes place in October. This time, Diwali is on November 8 versus October 20 last year.

That broadly covers our performance. I have noted down the various questions, and I will go through them. If I miss anything, please let me know.

One question was about Baddi. During the calendar year, we increased our capacity in Baddi to approximately 6 million units from 3 million earlier. Our plan is to take it to 10 million by March next year.

I never said 30-45 days. That reference was more about the time required for designing and related work. We are not buying any land. We already have a large piece of land, where the built-up area is currently only approximately 10%. Therefore, 90% of the land remains available for future expansion.

We are building a similar area, which will increase the built-up area by another 10% on the same land. Actual work on the ground will start in Q3 of this financial year, and we should complete it by March.

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What we are trying to do there is create physical infrastructure for 15 million units, not 10 million. However, for now, we will install assembly lines for 10 million units, so that we do not have to invest so much in capex at one time. We do not need 15 million units today.

Keeping our growth objectives in mind, we will need 8-9 million units next year, and that is what we will create. Adding assembly lines takes only approximately 45 days. Therefore, when we need to do so, we will have the physical infrastructure to take the capacity to 10 million units in a single shift. Please note that this is on a single-shift basis.

We can increase the 10 million-unit capacity to approximately 15 million units in phases, as and when required, within a 45-day period. We will continue enhancing it, but we are preparing ourselves for 15 million units. I believe that should meet our requirements for approximately 3 years from now.

If we see greater requirements than planned, we can always run double shifts during a few peak months. We are in an industrial area, and obtaining manpower is not a major concern.

That covers our supply chain. We have effectively moved from 3 million to 15 million units, which will be completed by March next year, although we will not install all the assembly lines required to produce 15 million units immediately. If required, we can do so within 45 days.

This is our own land and our own property. We are creating exactly the same ground area that we already have, so we are doubling the built-up area. We are not creating multiple floors because we do not want to invest ahead of time. However, all this is being created to cover our requirements for at least 3 years. We will review the situation again after a year, and if further investment is required, we can invest.

There were questions about Timex growth being higher while royalty grew by only 10%. Royalty applies to everything we manufacture in the country that we do not buy from our group company. This also includes OEM. Since OEM declined by 45%, we did not have to pay royalty on that business.

Although Timex grew aggressively, this is not only about Timex. It includes Timex, TMX, Helix, and our OEM business manufactured here. {? How do I zoom in to see it ?} {? This is changing ?} Sorry, could you please put your line on mute?

It is a combination of brands. Timex grew by 42%, but OEM declined, and there was no royalty on OEM. As a combined bucket, the requirement was only for 10% higher royalty than last year. It is not just Timex; it is Timex plus OEM plus the other brands in the Timex business unit. That covers the royalty question.

Somebody wanted to know how we are performing relative to the online market. We are growing very fast online, and we do receive rankings. Our partners, whether Myntra, Flipkart, or Amazon, do not provide us with the absolute numbers of our competitors, but we do receive rankings.

Over the last 3 years, we have moved from a ranking of approximately 7 to 4. This is a significant improvement, and these are the top rankings. The gap was quite significant at the top, although it reduces further down the ranking.

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We were number 7 for Timex, and we have moved to number 4 on the majority of, and I believe all 3, portals. We have gained significant share. It is not only growth in isolation; we are also taking share from the competition.

The companies in the top 3 depend on the portal. Generally, Titan is at the top most of the time, followed by Casio and Fastrack, and sometimes Fossil. These are the 4 brands generally ahead of us on the portals.

The ranking differs by portal. Myntra is more fashion-led, so Fastrack may not feature there, while Fossil is probably ahead of us. However, we have moved from the seventh or eighth position on different portals to approximately fourth on all 3 major portals where our 1P business is present.

This gives you an idea of our progress. The gap was significant, and the movement from number 5 to number 4 was particularly substantial. We are constantly maintaining that position.

There was a question on quick commerce. We are now present with all the partners. Last time, Blinkit was probably the only one missing, but we are live on Blinkit as well. We are live on all 6 platforms. There are only 6, unless we decide to enter a BigBasket-type format, which we currently do not plan to do.

The 6 platforms are Zepto, Blinkit, Swiggy Instamart, Flipkart Minutes, Myntra Now, and Amazon Now. We are live on all 6, and on the majority of them we are either number 1 or number 2. We were the first company to start in quick commerce.

Management: We have a leadership-type position in quick commerce, although not on the platforms we have added recently because everybody has entered quick commerce. We started 1.5 years ago and were the first to do so.

Quick commerce currently contributes approximately 8% of our online business. Online business varies every quarter depending on the events and the larger sale periods, so it ranges between 35% and 37% of total business. Therefore, 8% of online business means approximately 2.5-3% of the company as a whole comes from quick commerce.

The value chain here is also the same. We earn similar product margins and similar EBITDA margins. No business that we add or change is EBITDA-dilutive.

Management: Quick commerce also works for us under the 1P model?

Management: Yes, quick commerce is entirely 1P for us. There are also 3P models, but quick commerce is operationally intensive because of the dark stores. We are present on all 6 platforms as 1P, so I do not have to worry about the operations there at all.

It is 100% 1P. We build the products for them and support them with marketing investment, including PLA, display, and other elements that are part of our value chain. However, we are not actually doing the operational work at the dark stores. That covers quick commerce.

There were questions about 1P forward planning. 1P is a sizeable business for us. First, unfortunately, the watch industry does not work on firm orders. Nobody gives firm orders in advance.

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What we do is take all our key customers through the product line we plan to launch well in advance, sometimes even 9 months before the launch. We take their opinions and tentative estimates of how much they can sell. However, this is not commercially signed off as an order.

The inventory risk therefore remains with us, and this is not unique to us; it applies to all brands. The risk of inventory always remains with the company, and that is the industry norm.

At best, customers give us a good opinion so that we can decide where to invest more. Once we align with them, there is at least a moral responsibility for them to try the products. However, if the products do not work, the inventory is ours.

That is how the industry works. With 1P, this is generally how the entire business operates. The 3 partners are quite large for us, and 1P does not work primarily on newness; it works largely on reviews, rankings, and historical data for SKUs.

That is how e-commerce works. When you search for anything related to watches, the listing is influenced by reviews, rankings, and historical data. There is therefore a significant amount of visibility into what will sell.

If the overall business declines, that is a different matter, but the product mix is largely predictable. New SKUs take time to build up, but approximately 80% of the business can actually be predicted.

The cycle is also similar. The portals have standard events such as EORS and BBD, and we know how much revenue multiplication occurs during each event. This makes it easier to plan with them.

We have joint business planning with all these portals. We settle the total buy by brand, by phasing, and probably by SKU. However, final signed-off purchase orders arrive only approximately 1-1.5 months beforehand.

Therefore, we need very strong demand planning so that we build what is likely to be sold. We have not faced any issues. In fact, we have been exactly on target regarding what will sell, and that is reflected in our inventory turns, inventory ageing, and inventory health.

The industry does not work on pre-ordering. We are trying to introduce this with larger customers by offering them an additional 2% if they commit and we buy for them. We are largely trying this with the brands we import, where the risk is higher. However, nobody has accepted that offer yet.

It will take some time to build this, but that is how the rest of the industry works.

There was also a question about the stage of growth we are in. I always talk about this: we have just started. The industry is growing very well. The leader growing at more than 20% actually says a lot about the industry, and we are excited about it.

The industry is growing faster than ever before. We do not have official industry growth reports at this point, but we know how everyone else is performing. If we collate all the information, it appears that the industry is growing at 15-16%, versus very high single-digit growth in the past.

The industry has grown from 9-9.5% to 15% because there are 3 large players. We know our numbers, we know the leader's numbers, and we know the third player's numbers. Broadly, it

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appears to be growing at approximately 15%.

There is therefore a significant tailwind for the industry. Because of the pyramid structure of our brands, we cater to every consumer cohort through one brand or another. Wherever there are gaps, we continue filling them.

We take share across all segments, from mass-tige to luxury, through Timex, Guess, GC, Aston Martin, Versace, and everything in between. That is the second factor.

The third factor is that we have managed to create a differentiated assortment for online and offline channels, allowing both channels to grow faster without cannibalizing each other. Nobody is complaining.

Usually, when online business grows, offline business declines. Partners pack up the products and say, “Brother, take them back because they are selling at 30% there. You give me a 30% margin, so how can I sell them?” We have successfully created two different lines covering every price point, gender, and attribute, without cannibalizing one another.

That is one of the reasons for our growth. Secondly, we have built greater affinity for our key brands. This is linked to our marketing efforts.

When you see any marketing investment for Timex, you will not find any locally developed product. You will only find a franchise. We talk about Q, Marlin, Waterbury, or perhaps Fria, which is locally developed, as well as Vector or Segno.

We therefore talk primarily about premium Timex products, which increases the aspirational value of Timex. We are not generating enormous business only from premium products, but they make the entry-level price points much easier to sell.

When you see a Timex priced at 20,000 rupees and another Timex priced at 4,000 rupees, the brand carries more value and weight than before.

Management: We also display all our global products at every point of sale. What we discuss is what consumers see at the point of sale. If a consumer cannot afford that product, they may buy something else, but at least we are displaying and bringing to the customer what we are discussing.

Previously, we advertised more global products but did not supply them, or our partners were not comfortable keeping those products because they said, “This Timex feels expensive.” That is changing, and it is also increasing the ASP for Timex.

The industry tailwinds, the right channel strategies, expanding channels wherever opportunities arise, creating more aspirational value for consumers, and working on the supply chain and value chain to deliver higher EBITDA margins are all contributing factors.

That is broadly what we have done. In terms of our stage of growth, as I said, we have just started. In investor terminology, we are still in the ARR phase, if I am not mistaken.

If I take 30% growth on 800 crores, we are trending at 1,040 crores. Sorry, is somebody trying to present something?

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Management: People on the call, please check. Somebody's screen has appeared on the screen. It is fine; let us continue.

Management: Even on an ARR basis, based on the Q1 result, we are discussing 1,040 crores. There will of course be efforts to grow faster than that.

This growth is not restricted to this year or next year. As I said, the industry is growing faster, and we are still in the growth phase. There are several opportunities that we have not even touched because we wanted to prioritize what is required.

There are many newer brands that can potentially be added, many brands that can be expanded, and many more things that we can do with Timex, Guess, and beyond. I believe we have just started.

For the next 3-5 years, if we do things correctly, I believe we can grow quite aggressively. If you ask about our stage, we have just started. Three or 4 years for a 35-year-old company in the country is just the beginning.

You can expect many initiatives. We have a lot of things to do, and there is no doubt about that. However, we want to be conscious that we do not try to do everything at once or enter margin-dilutive channels and products.

I forgot to mention the product margin for this quarter. The entire industry is facing significant inflationary pressure. Gold, silver, and copper prices are all rising sharply. Copper is a major component of brass, which is used in the majority of watches.

Movements are also in short supply. The movements used in watches are becoming more expensive, with significant price increases from movement suppliers, all of whom are Japanese suppliers.

There is also foreign-exchange pressure, with the rate at 95-96 compared with 87-88 last year. Despite all this, our product margin increased by 1 percentage point. It has reached {? 43 point something ?} from approximately 42, I believe.

We took a price increase effective in April for some channels and in May for other channels. This ensured that all the inflationary pressure was covered and, in fact, gave us a higher margin.

The higher product margin also flows into our EBITDA margin. That covers margins, lower royalty, and inventory.

As I said, this is the time when we generally build inventory. In fact, we are building inventory every quarter because our aspirations are higher, but Q2 has always been the biggest quarter.

This inventory build-up ensures that we can serve our customers and consumers and have the required cash. We are being more aggressive in the business rather than saying that we should target 30% or 20%. We are targeting higher growth and will see where we land.

Inventory is there to support the business, and we have visibility of every product we have produced and how we are going to sell it.

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There was also a question about Guess jewellery and its future. As I mentioned last time, jewellery is not a key pillar for us. We are only trying to ensure that we conduct a trial.

The jewellery market is quite fragmented in costume jewellery. If there is interest, I will spend a minute explaining it. We knew this even before starting the business, so we never built very large plans for jewellery.

The overall jewellery industry is approximately 90 billion dollars. A large majority of this is fine jewellery, which we are not trying to address and for which we have no plans.

Approximately 10-12% of this 90-billion-dollar industry consists of jewellery priced below 500 rupees. This is largely Chinese jewellery sold through cosmetic stores and similar outlets.

The jewellery sold globally by Guess and our other brands is costume jewellery made from stainless steel 314, which is surgical steel. Depending on the SKU, including rings and bracelets, its price point starts at approximately 3,000-3,500 rupees and goes up to approximately 8,000 rupees.

This is the costume-jewellery segment, and the market is very small. The overall market is approximately 140-150 million dollars. As of today, Swarovski has approximately 90% of this market.

Approximately 90% of Swarovski's business comes from its boutiques. Therefore, there is currently no channel for costume jewellery priced between 3,000 and 8,000 rupees.

Fine-jewellery retailers do not want to stock it because they believe it will dilute their business. Retailers selling Chinese jewellery will not be able to sell it.

Management {? Watches ?}: Watch retailers do not understand jewellery because, in India, watches and jewellery do not have a combined retail culture. Globally, in most of the Western world, watches and jewellery are sold together.

What we are left with is perhaps a few Shoppers Stop stores and the online channel. We are doing that, and we have also added 20 points of sale in watch stores, giving them the confidence to try it with us. If it does not work, we will help them.

That is what we are trying. However, we have not built any significant jewellery numbers into our plan for this year, next year, or the year after. We are simply trying it out and building it gradually.

If it develops, we can introduce more jewellery through other brands that we sell, because globally we produce jewellery beyond Guess as well.

That covers jewellery. It was a longer answer, but it explains why we are not overly enthusiastic about it. We have not even built 1 million dollar into our business plan for jewellery. Whatever happens and whatever number it generates is effectively zero in the plan because we are still trying it out.

What else is there? Guess, jewellery, and the reasons for growth. Is there anything else?

Management: I think somebody asked about brand endorsements.

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Management: These are exciting times. We cannot announce the names at this point, before we send the information to the exchange. We have signed and completed the shoot for a Guess celebrity. By "shot," I mean that production has taken place. We will announce it on September 2 with an unveiling event in Mumbai.

It is a major celebrity who is very suitable for the brand. We have also signed and completed the shoot for a celebrity for Versace.

Aditya: Who are they? Are they from Bollywood?

Management: They are all from Bollywood. We are at the stage of finalizing agreements with 2 celebrities for Timex. One is a major female celebrity. We did not want to take 2 celebrities for Timex because the cost would increase significantly.

The male celebrity is a macro-influencer, but we wanted to ensure that Timex has both male and female representation.

Aditya: They are not a couple?

Management: They are not a couple. All 3 key brands therefore have celebrity endorsements. Two of them have been signed and filmed, and we will begin activation from the first week of September. Timex activation will probably begin in the second week of September, with the shoot by the end of this month.

That is the plan, and we have done that. We are increasing the intensity of our efforts for all 3 key brands while remaining within the advertising spend we have planned.

We have negotiated well for these arrangements, and for the majority of them we are going for a longer period. The last time, when we signed Ananya Panday, we signed her for 1 year.

The problem with a 1-year association is that the association between the celebrity and the brand does not become established before the year ends. By then, the money has been spent without enough time to build the association.

We have therefore gone beyond 1 year, well beyond 1 year, so that the association becomes established. When consumers see a celebrity associated with a brand for a longer period, they take note of it and associate the celebrity with the brand.

In the majority of cases, the association is for longer than 1 year and is multi-year.

Aditya: Could you also talk about DW?

Management: I will come back to that.

Operator: We have a question on volume growth in this period.

Management: Timex has grown by 22%, and Guess has grown by 49%. These are the 2 largest brands.

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Management: This broadly aligns with what I have always been saying: our growth is coming 50% from volume and 50% from higher ASP, or value. If you see Guess growing by 74% overall and Timex growing by 42%, half of that growth is coming from value, meaning a higher ASP, and half is coming from higher volume.

We are therefore gaining market share while premiumizing our offering.

Unidentified Analyst 1: You are gaining through selling price and value, which is why it is flowing to the bottom line.

Management: This is why we have been able to cover the margin impact. Otherwise, revenue growth is 30%, but the impact is 70%.

Management: It is also related to the mix of channels and the mix of brands. There are many factors. As I said, if you sell at a higher price point, you receive a somewhat better EBITDA contribution.

We are also leveraging our fixed costs. If you look at the costs in the report we circulated, employee expenses have increased by approximately 15-16% compared with revenue growth of 30%. The remaining growth is flowing down.

As I have always mentioned, our cost structure will not grow by more than 12-15%, and anything above that will flow to the bottom line. Growth beyond 15% should flow to the bottom line.

Operator: Pritesh's question was regarding the key priorities for this year.

Management: We are well organized for this year. The priorities were set last year because we work at least 1 year in advance.

We want to take a higher share in Timex through productivity enhancement across online, offline, and every other channel. This also answers somebody's question about why our footprint is not increasing while our business is growing.

In fact, our footprint is declining. We are shutting down stores that are like {? frogs in a well ?}, which come out once a year and want to buy 15 watches. We have decided not to serve such stores.

We are focusing on approximately 750 offline stores. I think I have mentioned this in the past as well; we call it Club 750. These 750 stores account for almost 50% of our total trade business.

The entire tail, from 751 to 6,000 stores, accounts for the remaining 50-55%. We have therefore decided to focus on the top 750 stores while continuing to service all our other customers. That is delivering the benefit.

Productivity enhancement has been excellent. If you look at the overall growth, it is coming from productivity enhancement across all our channels rather than from inorganic brand additions.

Even with Aston Martin, it is not as though the brand will generate approximately 30 crores of company revenue in its first year. The larger part of our growth continues to come from higher productivity and higher ASPs.

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Unidentified Analyst 2: Are these 750 points of sale also adding more space for Timex? I will give one example. I visited a World of Watches outlet. Earlier, it had only one shelf for Timex, but this time it had 2. Are you seeing this trend?

Management: These 750 stores factually carry more than one of our brands. Since they are the top stores, they generally carry at least 4 brands, and sometimes more.

Timex, Guess, GC, and Aston Martin are the usual brands that they definitely carry. If it is a premium store, they also carry Versace. They carry other brands in between as well.

Our share of space in these stores is higher because they are premium doors and can carry our premium brands. That has happened.

For Timex, we have expanded our offering. Previously, we were largely below 10,000 rupees. Now, some good retailers are giving us 2 wall spaces: one for products priced at 10,000 rupees and below, and another primarily for our global collection priced above 10,000 rupees.

We are therefore gaining a higher share of Timex space as well. The larger focus is on improving productivity rather than adding more stores in the tail.

Operator: There is an interesting question about which brands could possibly become the Guess or Versace of tomorrow, from the perspective of the Timex business.

Management: I believe Aston Martin is the brand that can become very large, and it can become large very soon.

There is no historical data for Aston Martin and no other motorsports brand in the country that can serve as a benchmark. However, we sold 10,000 units in the first 3 months after launch and went out of stock.

We have now managed to obtain more stock, so we are prepared for Diwali. The demand was far beyond our expectations. The stock we had planned for approximately 6-6.5 months was sold out in 3 months.

The beauty of Aston Martin is that it has 2 different sub-brands. One is called Formula One, which is aimed at the youth and is priced from 12,000 to 20,000 rupees.

The other is a heritage line called Lagonda, priced from 20,000 to 60,000 rupees. It therefore covers every point of sale.

Where the store is not very premium, Formula One sells. Where the store is premium, we deliberately do not offer Formula One; we offer only Lagonda.

It therefore covers a wider range of consumers and a wider range of watches. Formula One is sportier, uses bright colours, and is aimed at younger consumers, while Lagonda draws on the heritage of Aston Martin cars.

Aston Martin will definitely be the biggest or the next major brand.

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After that, I would mention Guess Collection. Guess Collection is positioned between fashion and bridge-to-luxury. It starts at approximately 25,000-28,000 rupees and goes up to 60,000 rupees.

Premiumization is reaching that segment now. Earlier, premiumization involved customers moving from products below 10,000 rupees to products priced between 10,000 and 20,000 rupees. Now, among products priced above 20,000 rupees, there are not many brands.

Guess Collection and Aston Martin fill that space, which we call bridge-to-luxury. It is neither very inexpensive nor very expensive.

Watch consumers generally try to move to the next brand rather than buy the same brand again. If someone buys Timex, they may want to buy Guess next, and someone who buys Guess may want to buy something else after that.

People generally want to move up the brand journey in watches if they can afford it. That is where Aston Martin and Guess Collection become important.

We have also made another change to Guess Collection. It was always called GC, but most people did not understand what GC meant. Now, when we advertise it and even on the packaging, we call it Guess Collection.

We are therefore getting the benefit of the Guess name, which is now a large business for us.

Management: One of the questions was about AMP expenditure and why AMP was 50% higher.

Management: The primary reason, as Deepak explained, was the decline in the OEM business. If I exclude OEM and look at marketing expenditure, we have spent a similar percentage. We spent approximately 9.2% last year and 9.5% this year.

However, since OEM declined, the percentage appears somewhat higher.

Management: There was also some additional activation that we undertook during this period for Timex and Guess. If you look at the percentage, it appears to be a 50% increase, but we also grew by 30%. Therefore, 50% is not the right way to look at it. It is 7.5% last year versus 8.5% this year.

The comparison should exclude OEM. We do not invest in OEM. OEM marketing is zero, and its budget is also zero. Since we sold less OEM, it affected the percentage.

Operator: Somebody is asking about the new Swiss brand that we are going to launch. We have not announced it.

Management: We discussed it, or I thought we had. I will talk about it.

There is a brand owned by our company. It was a major Swiss brand in the past, but it was discontinued for quite some time, approximately 8-10 years. It has significant legacy.

In India, Swiss brands essentially start at 50,000-60,000 rupees and go up to whatever level, even 10 crores. There is therefore a genuine gap for an entry-level Swiss brand.

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A Swiss brand is a Swiss brand, and consumers have that aspiration. We are trying to position this brand from 25,000 to 60,000 rupees, exactly bridging that gap.

We know very well that the brand is not very popular in the country because we have not sold it for quite some time. However, since it is our own brand, we can build it over a period of time.

We do not have very large aspirations for the first couple of years, but we know there is a significant gap for a Swiss watch at an entry-level price point.

We will launch it between January and February. We tried to launch it during Diwali, but that is not possible because it has to be made in Switzerland, and new product development has to suit Indian tastes.

We have made significant progress, so we should launch it next year and announce the name as well. It is our own brand and there is no licence involved.

Operator: Pritesh's last question was regarding Versace portfolio pricing, landed cost, and transfer pricing.

Pritesh Chheda: Could you help us understand the economics of the Versace portfolio? What group transfer price or landed-cost range does Timex Group India pay to procure Versace watches from Vertime, and how is the transfer price determined?

Management: For different brands, we have different methodologies. These are licensed brands that we take from our group.

The group is broadly divided into 3 divisions: the Timex Business Unit, the Sequel Business Unit, and the Timex Group Luxury Division, which is Vertime.

All of these broadly follow global transfer-pricing policies. We procure these brands at their global transfer price and bring them into India. We then determine price parity against the worldwide price.

There is a recommended WWP, or worldwide price, that they announce. We then establish a parity price in India at which the product can reasonably be sold, and that is how the margins are derived.

As Deepak mentioned, the business has been structured so that most of the time all our brands and all our channels deliver similar EBITDA. We track EBITDA rather than the transfer price and focus on what each combination delivers.

Versace is in a similar zone.

Deepak Chhabra: I would like to add something about indexing. Every brand is a global brand within the group, and there is a WWP, or worldwide price. However, if we simply bring the product into India and price it at WWP, we may either underprice or overprice it relative to the appropriate price point.

We therefore look at the gaps and apply indexing. Sometimes we index below WWP to offer consumers attractive pricing, but we never price above WWP. Otherwise, someone could travel

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outside the country and find the product cheaper.

Indexing is different for different brands. We have identified our priorities as a global organization and, more importantly, as a locally listed entity in India. These priorities remain anchored around relentlessly growing the top line.

The second priority is accelerating our pipeline: how and how quickly we can launch innovative assets from the global pipeline in markets such as India.

The third, and most important, is simplification. We want to use technology and challenge some of our processes so that we can remove more inefficiencies from the system.

These 3 priorities remain our guiding principles for the overall business. With that, we will move to external performance. Viraj, can you please put your line on mute? I thought he was discussing another business. It is not clear here.

I think Naveen has raised his hand, so perhaps he can ask his question.

Operator: Naveen, please ask your question. Please unmute and ask your question. Sorry, we cannot hear you.

Deepak Chhabra: To complete the point, indexing is used to ensure that we remain competitive in the market while still delivering our bottom-line EBITDA margin.

The indexing ranges from 0.8 times to 1. In some cases, we are cheaper than the global price, and in the worst case we are at the same price as the global price.

Operator: We cannot hear you. You are not audible. In the meantime, Aditya is here. Aditya, you can ask your question.

Aditya: Congratulations on a great set of numbers. My question is regarding the senior management team at Timex. We see that there are no ESOPs in place, and the stock price has performed extremely well.

There appears to be some long-term incentive plan or something similar for top management. I want to understand whether that will compensate top management for what ESOPs could have generated.

Mr. Deepak Chhabra is continuing with Timex, and I hope he continues for a long time. I believe that could be one of the major factors. Could you provide more detail on the incentive plan for top management so that they continue with Timex for some time, specifically in relation to Mr. Deepak Chhabra?

Deepak Chhabra: Aditya, first of all, thank you. You should speak to my boss about giving me more money. Anyway, I think—

Aditya: We will all support that. We will all support it.

Deepak Chhabra: That is very kind of you.

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We do have a fairly aggressive incentive plan for leadership and for the entire company. I will share the details with you. We made a few changes recently to bring greater meritocracy into the system rather than having everyone get paid without a link to business performance.

For the key management personnel, who are largely my first line and number approximately 14-15 people, including supply chain, manufacturing, procurement, and demand planning, there are approximately 14-15 of us in total. We are all on STI, including me.

STI is a short-term incentive paid after the year's performance results are released. It has 4 primary parameters. The first is revenue growth, but the highest weightage is given to bottom-line growth. The other parameters are inventory turns and DSO, which measures how quickly we collect from the market.

These 4 key parameters ensure that we manage the business properly. Fortunately, or perhaps excitingly, revenue growth does not have the highest weightage. It is not the biggest weightage. The biggest weightage is on how effectively we manage the business.

This ensures that we remain focused on the right priorities. Incentives are only one part of the overall system, and we have larger ambitions for the business, but the incentive parameters also focus on the right things rather than simply driving the top line.

If I remember correctly, the top line has a weightage of only 25%. The remaining 75% relates to how effectively and prudently we run the business, how much money we generate for shareholders, and value and wealth creation.

That is the short-term incentive. We are receiving a good payout because the business is growing, so it is a good payout for all of us.

We also have LTI, which is equivalent to ESOPs. ESOPs were somehow never part of the remuneration structure, but we started LTI.

LTI operates over a 3-year period. It is paid partially upon completion of the second year, a larger amount upon completion of the third year, and the balance amount in the fourth year.

It also works as a retention tool, just like ESOPs. It has the same broad parameters as an ESOP. The 2 main parameters are how revenue has evolved over the 3-year period and how EBITDA has evolved.

If the base is 100 and we reach 150, the 50 represents revenue generation, and a similar calculation is applied. A higher weightage is given to EBITDA delivery.

A percentage is then applied, a pool is generated, and that pool is divided among me and the entire team in different proportions based on each person's position in the organization. We are paid over the second, third, and fourth years, and this addresses our long-term strategic objectives.

We therefore have both STI and LTI.

The final point is that everyone in the company has a variable component. This was not previously the case for either the sales team or the non-sales team. Everyone now has a variable component.

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We do not complicate the parameters at that level. It is primarily linked to company profitability for non-sales employees and sales performance for the sales team. We do not include DSO and similar parameters. It is an annual program, and the higher a person's designation, the higher the variable percentage.

Everyone now knows that part of their compensation will be paid only when the company performs well. This has created significant support across the company.

All these incentives are linked to individual merit ratings. If you are rated 3, you receive, for example, 100% of the incentive. If you are rated 4, you receive 125%, and if you are rated 5, you receive more. Individual performance therefore also comes into the calculation, in addition to the company's overall performance.

Nobody should think that their impact on the business is limited and ask why their variable component should be linked to company performance when they cannot influence it. Individual assessment is also part of the calculation.

Everyone in the company, including all of us, is receiving more variable compensation than before. If the variable amount is 100, people have received 110%, 120%, and in some cases 150%. This is also helping to drive the business.

Nothing motivates more than money. There is no cap on the variable compensation. A few people have even reached 200% of the standard amount.

This creates significant excitement to make a difference and grow the business faster. More importantly, it encourages profitable growth and business health.

The sales incentive policy is now much more aggressive than it was earlier. It is a good balance: people cannot simply come to the office, collect a monthly salary, and leave. If they do not make a difference to the business, they will receive only 80%; they will not receive the remaining 20% variable component.

Everyone is therefore highly motivated and charged to make a difference and grow the business profitably. That is how the system works.

Aditya: I have 2 more questions. On the marketing side, we spent approximately 6 crores this quarter, correct? Could you provide a breakdown of the channels on which we are spending, as well as the breakdown for last year? Also, how are we planning our marketing for the coming years?

Deepak Chhabra: Unfortunately, I do not have the breakdown ready at the moment, but we can send it across to you.

Marketing spending generally depends on channel performance and brand performance. To control our marketing spend, we create a budget based on actual delivery up to the previous month, and that amount becomes available for investment in the following month.

Unless we are undertaking a strategic investment, the budget is linked to actual performance. If we sign a celebrity, of course we have to pay the agreed amount, and that spending may extend across

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channels.

We use this as a control mechanism. It is not that there is a marketing budget and we simply keep spending it. The marketing budget is aligned with revenue delivery and becomes available based on what we have delivered.

We are therefore prudent rather than proceeding with a marketing budget when revenue may be lower. If revenue is higher, the marketing budget becomes higher.

Every brand has a marketing-investment percentage. Our own brands have the highest percentage because there is no royalty. For the licensed portfolio, we invest between 4% and 7% depending on the brand, its stage of development, and the investment required. A new brand may require somewhat higher investment.

Approximately half of our investment is in the licensed portfolio, while for our own brands we invest approximately 10-11.5%. On a blended basis, we arrive at approximately 7-8.5%.

Aditya: What about Just Watches brand visibility?

Deepak Chhabra: As I said, we are still working to establish the association between Just Watches and Timex. If you visit the Just Watches social-media pages, you will find a lot of activity.

We are no longer investing in the brands sold on Just Watches; we are investing in Just Watches as a brand. It is a retail format available online and offline and comes from the Timex group.

That is where we are investing significantly. To be precise, if I am not mistaken, we are investing approximately 85 lakhs for the entire year in Just Watches itself.

The first objective is to establish the association between Timex Group and Just Watches. The second is to establish Just Watches as a retail format.

Previously, we invested in the brands, while the landing page was Just Watches. The brands were selling, but Just Watches itself was not being established. That is what we are changing.

This includes many digital activities, social activation, and most of our celebrity endorsements. For example, the Guess and Versace celebrity assets will sit on Just Watches itself.

Timex has its own social-media handle, while Just Watches is the social-media handle for the other brands. Just Watches will therefore benefit significantly from the celebrity endorsements.

We call this a call to action, or CTA. As soon as a consumer clicks on the asset, it will take them directly to Just Watches because that is where we sell the products. We do not want to take the consumer to Myntra; we want to take the consumer to our own portal.

Just Watches will therefore receive a major benefit. We have also done significant work at the point of sale and are undertaking influencer activation.

We are trying to build Just Watches as a strong brand. Regarding the retail plan, it remains very strong. We want to open 250-300 stores over the next 3 years across both formats.

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We have already added 2-3 stores, and we have also closed one store because we want to remain prudent. Larger expansion will begin in January of the coming year. That is when we will start.

From a performance perspective, like-for-like is the right parameter, and both formats are generating approximately 30% like-for-like growth.

We are therefore seeing a recovery in both retail formats. The overall effort and investment in these formats, on which we have spent significant time, are showing results.

Aditya: I would like to make a suggestion on marketing. I have seen a few brands in the luxury space where micro-influencers have had a significant impact on—

Aditya: —companies in this segment. For example, if there is a company such as Kempston Play and multiple brands in the segment, do we have any plans in this area?

What I have seen in this type of business is that these brands send products to small influencers. If we take a product in the minimum premium range, priced at approximately 3,000-5,000 rupees, what would be the production cost if the MRP is around 3,000-5,000 rupees?

If we directly send these products to micro-influencers, word of mouth can be very powerful. I think this could become a margin-related opportunity in the revenue mix going forward.

My suggestion is that we could see a significant surge from this. Word of mouth has worked very well for many brands. We could set up a group of 10-15 micro-influencers specifically targeting this category to review these watches. They could have between 10,000 and 1 lakh subscribers or between 1 lakh and 5 lakh subscribers. We could—

Deepak Chhabra: I understand. We are already doing this. If you visit our social-media pages, you will see many influencers. That will take you back to the influencers because we repost all that content on our social-media pages.

We activate approximately 1,000 influencers for the company in 1 year. This is a significant activation. Approximately 80-85 influencers are activated every month across our key brands.

The larger activation is between Timex and Guess. Not all our influencers are paid. The majority are on barter arrangements, where we send them watches, they conduct unboxing and create videos, we approve the content, and they post it on their platforms.

We boost their platform and our post on their platform to reach more people. We are already doing this.

Approximately 1,000 influencers are involved, and this activity forms part of the PR strategy. Barter influencers are handled through our PR agencies, while paid influencers are managed through our digital-marketing agency.

We invest in both categories. Of the 1,000 influencers, approximately 70% are on barter arrangements, and they are mostly micro- or nano-influencers.

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Aditya: Is the content created entirely by them? Do they do it themselves, and we only give them the product?

Deepak Chhabra: Yes. We can take 1 or 2 more questions.

Aditya: Can you provide any guidance for FY27 and FY28 on the top line and bottom line?

Deepak Chhabra: We do not provide guidance as a matter of practice. However, as I mentioned, there is still significant headroom for us, not only this year or next year but perhaps for the next 5-7 years.

There are many opportunities that we have not even touched because we are prioritizing the right ones. You can therefore expect good growth. That is all I can say.

Aditya: Do you expect EBITDA margins to be sustainable at around 16-17% going forward?

Deepak Chhabra: No. As I mentioned, we do not want EBITDA margins to go beyond 15-16%. The reason is that the only remaining lever to increase margins would be to raise prices.

We want to grow faster and generate more rupees rather than focus on the percentage. The leader itself generates approximately 13%. We would be very happy with 15-16%, but we want to make the business 500 crores rather than achieve an 18% margin.

Aditya: That is why I asked about the bottom line rather than margins. I was not asking about the percentage. In terms of PAT, by what percentage could it grow? This quarter, for example, it grew by 70%.

Deepak Chhabra: We do not provide guidance as a matter of practice, but I can share the ratios. As I mentioned, do not expect an EBITDA ratio of 20%. Please do not expect that. However, do expect aggressive growth.

Once we reach a stage where growth needs to be supported by higher EBITDA, we will speak differently. Today, we believe there is significant growth potential, and we want to remain competitive so that we generate more rupees of EBITDA rather than focus on the percentage EBITDA margin.

Aditya: Have we started manufacturing for Guess?

Deepak Chhabra: No. We plan to start from January. However, we do not intend to manufacture every Guess product here.

We will manufacture the top 50 SKUs, which contribute a higher percentage, approximately 50-55%, and have sizeable MOQs. We will manufacture those here. We will continue importing the long tail.

Aditya: My last question is on the business side. Last year, I think we were doing—on which side?

Deepak Chhabra: Sorry, I did not understand you.

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Aditya: I was asking whether, with 2 or 3 shifts, we can increase production from the current level.

Deepak Chhabra: Nothing prevents us from running 3 shifts. However, we do not even want to run 2 shifts because the cost increases significantly. We would then need 2 management teams, and the management team is the major cost.

Aditya: Are we currently operating a single shift?

Deepak Chhabra: We are currently operating double shifts for 2 months because we believe the requirement will be high.

Aditya: With these 2 shifts, what is the annual production capacity? Is it 6 million units?

Deepak Chhabra: You can double it. The 6 million capacity is for a single shift, so we can produce 12 million units.

Aditya: Was that in past years or is it ongoing?

Deepak Chhabra: It applies to last month and this month. We will taper it down hereafter.

Aditya: The expansion from 6 million to 10 million is on a single-shift basis?

Deepak Chhabra: Yes, that is on a single-shift basis.

Aditya: Without that expansion, if we simply run double shifts there—

Deepak Chhabra: The issue with double shifts is not a problem in terms of capex. Capex is not very high. You can assemble an assembly line for approximately 60 lakhs, as I have always mentioned.

This time, the cost will be somewhat higher because we are creating physical infrastructure and building the property. That is why it will be higher. It is a one-time investment.

Aditya: What is the capex?

Deepak Chhabra: The total amount? We do not have the exact number, but the entire project will be approximately 1 million dollars, or around 9 crores, including everything.

The problem is that almost 99% of the operators are women because of the nimble hands required to handle and assemble the small parts.

Once we run 2 shifts, there are significant compliance and risk considerations. Although we provide transport from their homes to the factory and from the factory to their homes, operating in the evenings or at night is always risky.

We do not want to do anything that is not good for our people. That is why we have never run 3 shifts and will never run 3 shifts.

Even when we run 2 shifts, we ensure that we start at 6:00 a.m., when the sun has risen, and close at 8:00 p.m. We do not fully utilize those 2 shifts either.

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We reduce each shift by half an hour because the women should leave the factory by 8:00 p.m. and should not arrive at the factory before 6:00 a.m.

That is how we operate. It is only for 2 months because we believed we would grow faster, and we are investing more in inventory than we had previously planned.

Aditya: Are you still planning to grow revenue by more than 50% overall?

Deepak Chhabra: I would like to grow by 200%. Realistically, however, as I said, we do not discuss the future.

There is significant headroom, the industry is growing faster, and we have many avenues for growth. We will continue pushing the pedal and see where we land.

Aditya: I recently saw an interview in which you said something that was printed as meaning that revenue was going to reach 1,000 crores.

Deepak Chhabra: I was the one saying 1,000 crores. If you apply 30% growth to an ARR of 800 crores, it becomes 1,040 crores. I was the one saying 1,040 crores.

I was referring to ARR. Anyone can calculate ARR. I have no idea what the actual figure will be. It is simply mathematics: 800 multiplied by 30%.

As I said, we do not know. We are trying everything possible to grow as much as we can.

Aditya: I can discuss the offline matters with you separately.

Deepak Chhabra: If you are around, I have a call at 5:00 or 5:30. If you are available, I will meet you at 5:30 in the space. [crosstalk] Why not? It is your office. Thank you, everyone.

Operator: Navin, you can ask your question. We will try to answer it. You are on mute. Navin?

Navin: There is a problem with the system. Can you hear me now? Am I audible?

Operator: Yes.

Navin: Thank you for the opportunity. My question was for Mr. Chhabra. I do not know whether I should continue.

Operator: Please park it for the next call. Thank you. Ankit?

Ankit: I had a question regarding—am I audible? Hello?

Operator: Sorry, Ankit. Am I audible? Yes.

Ankit: My question was about what Mr. Chhabra said regarding OEM being postponed in this quarter because of Diwali. Without that, we would have grown by 49%. Since Diwali is postponed this time, Q2 will receive the full benefit. Can we expect faster growth in Q2?

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My second question is about advertising. Do we expect margins to suffer because of advertising, or how do we expect margins to remain at these levels?

Deepak Chhabra: I do not think there will be any impact. Whatever has been postponed to the next quarter should be realized in the next quarter.

The OEM business we have with Deepak's brand, which was postponed because of Diwali, should be realized in the next quarter. This is not a loss of sales; it is simply a calendarization issue, with the business being pushed into the next period.

Regarding AMP, as I said, we spent approximately 9% of revenue last year and have spent the same percentage this year. Since OEM revenue was not present, the marketing percentage appears to have increased by 1 percentage point.

However, it will remain in a similar range because we will continue to spend approximately 9% going forward on AMP.

Ankit: Should we expect faster growth in Q2 than the 30% reported in Q1?

Deepak Chhabra: The OEM business should be added. Let us see how Q2 develops because every quarter has different dynamics, but this OEM business should be added in the coming quarter.

Ankit: Thank you, sir. All the best.

Operator: Vaishnavi Agarwal, Ms. Vaishnavi Agarwal.

Vaishnavi Agarwal: Am I audible?

Operator: Yes.

Vaishnavi Agarwal: Thank you for the opportunity. What is the plan for expanding retail stores, and how do you plan to manage competition there in the future?

Management: Deepak has covered this question, but broadly, the strategy remains on course. We have approximately 40 stores at this point and are settling into the format, as we said. As we see the opportunity, we will probably start ramping up this format next year.

Operator: Ankit, this is the final question. One final question from you.

Ankit: I believe you were about to start Guess manufacturing in August. Why has it been delayed? I thought it was now planned for January.

Deepak Chhabra: It was planned for January. Initially, we were targeting August onwards, but based on how things are unfolding, it has been postponed to next year, probably from January onwards.

Operator: Thank you very much, everyone, for attending this call. We look forward to the next investor call after the next quarterly results. Thank you. We are closing the call now.

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