Go Fashion (India)

Operator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY27 earnings conference call of Go Fashion (India) Ltd. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gautam Saraogi, Promoter and CEO of Go Fashion (India) Ltd. Thank you, and over to you, sir.

Gautam Saraogi – Promoter & CEO: Thank you. Good evening, and a warm welcome to everyone present on the call. Along with me, I have Mr. R. Mohan, our Chief Financial Officer, and SGA, our investor relations advisors. I hope you have all received the investor deck by now. For those who have not, you can view it on the stock exchange and the company website.

Q2 and H1 FY27 saw us build further on the five strategic priorities we outlined at the start of the year. Even as the quarter was shaped by the late festive calendar and higher raw material costs, let me take you through where we stand on each of these priorities at the halfway mark of the year, and then speak about the quarters ahead.

Priority one was turning SSG positive. Turning SSG positive remains our single most important commitment for the year. After turning positive in Q1 at 0.6%, same-store sales growth for our EBOs in Q2 was broadly flat. This needs to be seen in the context of the late festive calendar. With the festive season starting later this year, a part of the pre-festive demand that fell in September last year has moved to October. As we said last quarter, one quarter does not make a trend in either direction. Our focus remains on delivering positive SSG for FY27 as a whole, and the festive quarter will be an important one in that journey.

Priority two is migrating to larger store formats. Our transition to larger-format stores continued through the quarter. During quarter two, we opened nine new stores and closed 23 smaller-format stores in catchments where we already have, or are opening, a larger store nearby. For H1 FY27, this takes us to 24 openings and 89 closures for the 6 months, and we ended September with a grand total of 737 EBOs across 196 cities.

Importantly, even with a lower store count, our total retail space increased to approximately 4.4 lakh square feet as of September 30, 2026, compared to 4.34 lakh as of March 31, 2026. There was an addition of roughly 14,220 square feet during the half-year as we opened larger stores and enlarged existing ones wherever additional space was available. Our average EBO size stands at about 608 square feet. Our larger-format stores continued to do well and outperformed the smaller stores in the network, which reinforces our conviction in this strategy. These stores offer customers a significantly more premium shopping experience. Our store expansion strategy will continue to remain calibrated and selective, with a clear focus on identifying and adding high-potential locations across Tier 1, Tier 2, and Tier 3 cities. Over the next 5 years, we aim to significantly expand our footprint, with the potential to nearly double our square footage.

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Priority three is refreshing the product portfolio and the brand. We continue to refresh our product portfolio with new styles aimed at younger, trend-conscious consumers and remain on track to add new products through FY27. Our value-added non-leggings portfolio now contributes 70% of revenue, reflecting the steady premiumization of what Go Colors offers. On the brand front, our first campaign featuring Shraddha Kapoor, who came on board as a brand ambassador in July, went live during the quarter, and it has been very well executed and has seen some good results. It has given the brand a fresh, younger connection heading into the festive season, and together with our influencer-led initiatives, we believe it will support stronger customer acquisition in the coming quarters.

Priority four is expanding our daily wear concept. We continue to scale our daily wear concept and now have 21 operational stores compared with 15 in Q1. We remain committed to our target of 25 to 30 daily wear stores by the end of FY27. The unit economics continue to hold up well, and the festive quarter will give us a good read on how these stores will perform in the peak season.

Priority five is our LFS channel recovery. LFS revenue in Q2 was impacted because of festive timing. Dispatches to our LFS partners, which typically take place in September ahead of the festive season, have moved to October this year. This is a shift in timing rather than demand, and the supply chain with our key LFS partners remains normalized. We continue to work closely with our partners on assortment, placement, and sell-through, and LFS contributed about 23% of our sales in H1 FY27.

So, while the Q2 numbers were affected by the festive timing and raw material inflation, the underlying progress on our 5 priorities remains on track.

Coming to the financial performance, revenue for Q2 FY27 degrew by 3%, largely on account of the festive days that I just spoke about. Gross margins for the quarter stood at 60.8%. As I mentioned on the last call, fabric prices have gone up due to the geopolitical situation, and this higher-cost inventory has started flowing in during quarter two. We intend to pass on the raw material inflation through calibrated pricing actions, which will help restore gross margins in the coming quarters.

During the quarter, we recognized an exceptional expense of 3.4 crores, taking the total for H1 FY27 to 9.9 crores. This exceptional expenditure is a write-off of capital expenditure on account of store closures that have taken place over the 6 months. This is a direct consequence of our network consolidation strategy, and it is a one-off item.

The full-price sales ratio for H1 FY27 stood at a healthy 93%, and our average selling price for EBOs is Rs. 827.

On the balance sheet side, we continue to make good progress. Working capital days stood at 134 days, with inventory days improving to 94 days from 100 days at the end of Q1, now within the 90-100-day range that we had guided earlier this year. Operating cash flow on a pre-Ind AS basis stood at a healthy 52.6 crores.

Looking ahead, the festive season has started on a decent note, and we will be better placed to assess the full impact once the period concludes. Our priorities for FY27 remain unchanged: sustaining SSSG momentum, accelerating our transition to larger-format stores, refreshing our

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product range, and scaling our daily wear and international initiatives. We remain confident that these efforts will translate into stronger performance through the year.

The company continues to maintain a strong competitive position as one of the most recognized bottom-wear brands, with a clear emphasis on quality, comfort, and fit. Our deep category expertise and brand recall position us well within the women's bottom-wear segment. Given the still-low penetration of organized players, the bottom-wear category offers a meaningful long-term growth opportunity.

With this, I would like to hand over the call to our CFO, Mr. R. Mohan, for the update on Q2 and H1 FY27 results and financials. Thank you.

R. Mohan – CFO: Thank you, Gautam, and good evening, everyone. I will now give you the financial highlights for Q2 FY27. Our revenue stood at 218 crores, a decline of 3% year-on-year. Gross profit stood at 132 crores, with a gross margin of 60.8%. EBITDA before exceptional expenses stood at 56 crores. EBITDA margin before exceptional expenses stood at 25.8%. PAT stood at 9 crores.

Now, I will give you the financial highlights for H1 FY27. Revenue stood at 440 crores, a decline of 1.5% year-on-year. Gross profit stood at 272 crores, with a gross margin of 61.8%. EBITDA before exceptional expenses stood at 123.4 crores, with an EBITDA margin of 28.0%.

Cash flow from operations pre-Ind AS 116 stood at 52.6 crores. Our ROCE and ROE, excluding Ind AS impacts, stood at 8.9% and 6.7%, respectively, for H1. Cash and cash equivalents stood at 211.4 crores as of September 30, 2026.

With this, we will now open the floor for questions and answers.

Operator: Thank you so much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question.

Operator: Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Aabhas Poddar with {? Aequitas ?} Alpha Investment Management. Please go ahead.

Aabhas Poddar – {? Aequitas ?} Alpha Investment Management: Thank you for taking my question. I wanted to understand a couple of things. First, if you could talk a bit more about the other expenses on the cost side. I understand that you explained the one-off, but if I look at the year-on-year numbers, we have had a net closure of approximately 75 stores, and these are the smaller-format stores, which provide lower profitability. I would have thought we would still have lower costs, but I understand you would have made certain investments as well. So, if you could talk about that in detail to help us understand what exactly has happened over the last year, because I would have thought the savings would have outgrown the expenses. That is question number one.

The second question is a smaller one. In the gross margin, are you planning to take a price hike, or have you already taken a price hike to offset the cost increases that you have seen? These are my 2

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questions, sir.

Gautam: Thank you, Aabhas, for your question. I will answer your first question. On the cost side, a lot of our costs have been rationalized, but there are some expenditures that have increased, obviously, because of the increase in advertising as well.

If I take our overall expenses, employee salaries and rent are the 2 major line items. Because we have shut down many smaller stores and opened larger stores, we have seen employee salaries stabilize. I will give you an example. In quarter two last year, employee salaries were about 45.75 crores, and in quarter two this year, they were 46.3 crores. This is after increments. We usually give increments to our staff every April. So, even after increments, we have seen that employee costs this year versus last year have been pretty much flat, and there has been no growth in that cost.

On rent, we have seen a slight increase. This is on account of opening larger stores and rent escalations. We have obviously closed many stores, so we have had savings on the rent component, but at the same time, rent for many stores continues to escalate every year. So, the rent cost as an absolute amount has increased. The rent cost last year in Q2 was about 36 crores, and this year it is about 37 crores. So, it has more or less stayed flat compared with last year's number.

If I take the overall other expenses of the business, the major spike has come from marketing and advertising. In H1 last year, we spent about 7.85 crores on advertising, and this year we have spent about 12.63 crores on advertising because we have brought a brand ambassador on board. So, the increase in other expenses is largely because of marketing and advertising expenses.

Coming to one point in the other expenses, there is one more line item. Obviously, there is exceptional expenditure where we have done store write-offs. Last year for H1, it was 1.73 crores, and this year, because of the store closures, the one-off write-off expenditure is 9.87 crores. So, the 2 line items that have pushed the bottom-line expenses higher are advertising and exceptional expenditure.

Now, to your second question on gross margins, we have taken a price hike for certain articles recently, and we are in the midst of taking a price hike for some other articles as well. I think the offset against the gross margin will take a couple of quarters, but I think it will stabilize in the next 2 quarters. We have taken some increase now, and we are going to take the remaining increase after the festive season.

Management: Gautam, Gautam—

Gautam: Yes.

Management: Gautam, one more thing to add is that the other expenditure is not only store write-offs; it also includes store renovations. We have carried out renovations in a couple of stores, so that [inaudible] also, yes.

Gautam: We have also undertaken some store renovations this year. I do not have the exact number on hand for the value of the store renovations, but that could also have increased the amount somewhat.

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Aabhas Poddar – {? Aequitas ?} Alpha Investment Management: Understood. That is very helpful.

Gautam: If I take the other expenses largely, they are mostly related to store closures and advertising.

Aabhas Poddar – {? Aequitas ?} Alpha Investment Management: Understood. Thank you very much. All the best.

Gautam: Thank you, Aabhas.

Operator: Thank you. Our next question comes from the line of Ankit Kanodia with Zen Nivesh Advisors Private Limited. Please go ahead.

Ankit Kanodia – Zen Nivesh Advisors Private Limited: Thank you for taking my question. Sir, we have 737 EBOs, and even though total revenue from EBOs might be flat, if I break it down into 3 or 4 segments, there would be some large stores that opened in the last few months or quarters and are still to mature. There would be some large stores that opened last year and would have shown good numbers. Then there would be some smaller stores that are still doing well and that we continue to retain. The last category would be stores that are being shut down.

If you can give some color as to how each of these 4 categories is performing, I am not looking for a definite number, but I would like some more color on how all these 4 buckets are performing and how this 0% growth is coming about. I think some would be doing really well and some would be doing really badly, and the net result would be zero, right?

Gautam: Thank you, Ankit, for your question. The new stores that have opened usually take time to settle down. For any store to start performing well, it takes at least 12 to 15 months to reach some sort of maturity level. So, whatever newer stores we have opened over the last 12 months, although we have not opened too many new stores, they are growing steadily, and we are seeing decent SSG in those newer larger stores.

As far as the smaller stores are concerned, as you rightly said, many smaller stores continue to do well because they may not have another larger store in the vicinity, and perhaps the mall and high streets are doing well. So, some smaller stores still continue to do well, unlike some other smaller stores.

The third bucket of stores consists of our daily wear concept stores, of which we have about 21. The 21 stores where we have kept topwear and a little bit of menswear have actually picked up speed and done well over a period of time. As I mentioned in my previous calls, we continue to deliver about 1,000 rupees of sales per square foot per month, which is a good number for us to begin with. We have reached 21 stores, we have seen good traction, and we are going to add another 8 or 9 stores. The sample set of 30 stores will tell us what our future expansion strategy should be for this format.

Now, on the larger question of large stores versus small stores, if I look at my overall network of large stores versus small stores, my larger stores are SSG positive. If I take stores that are greater than 700–750 square feet, they have SSG of about 2% to 3% or higher, whereas my smaller stores continue to be negative. When I review the different types of data, it is very clear that we need to

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pivot from the smaller to the larger concept.

However, because we are working with a very large base of 737 stores, the transition takes time. So, we will continue that transition from smaller to larger stores in the quarters to come, but it is very difficult to give a definitive number of how many small stores I will be shutting and how many larger stores I will be opening. That depends purely on the real estate deals that take place.

Ankit Kanodia – Zen Nivesh Advisors Private Limited: That was very helpful. I am not asking for a definite number again, but just looking at the pattern, we closed approximately 40 stores in FY25, around 54 stores in FY26, and in H1 FY27, we have closed 89 stores. Is it fair to assume that, in terms of store closures, the heavy lifting has been done in H1, and from H2 onward, the number of closures should be lower?

Gautam: We are at considerably lower levels now, Ankit. If you see Q2 versus Q1, the number of store closures has reduced. In Q1, I think we had more than 58 or 59 closures. In Q2, you can see that it was 23. In Q3, it will be even lower. Directionally, the margins in the P&L will now start going up by virtue of lower closures, and I think the ratio of closures will come down considerably. Margins will also start improving on that basis.

Ankit Kanodia – Zen Nivesh Advisors Private Limited: Right. One last question, if I may. If I look at—

Gautam: Please go ahead.

Ankit Kanodia – Zen Nivesh Advisors Private Limited: Last year's second half, so I am talking about FY26 H2, from there onward our revenues have dipped a little. Prior to that, we were doing really well. Now, with this base effect, the festive season has shifted to Q3 rather than Q2, and considering how we are positioned, as well as the price hike we have taken, is it fair to assume that year-on-year numbers from H2 should be much better than what we have seen in H1?

Gautam: Certainly, yes, Ankit. Q3 should deliver a good number for us.

Ankit Kanodia – Zen Nivesh Advisors Private Limited: So, if—

Gautam: And Q4 should deliver a good number for us.

Ankit Kanodia – Zen Nivesh Advisors Private Limited: If, in this tough period, we have managed 0.2 SSSG, directionally we should be able to achieve our target of closing the year with positive SSSG, right?

Gautam: We are keeping our fingers crossed. Hopefully, we should be moving in that direction.

Ankit Kanodia – Zen Nivesh Advisors Private Limited: Thank you very much. That was all from my side, and all the best for the future.

Gautam: Thank you, Ankit.

Operator: Thank you. Our next question comes from the line of Avinash Karumanchi with Motilal Oswal Financial Services Limited. Please go ahead.

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Avinash Karumanchi – Motilal Oswal Financial Services: Thank you, sir. My question is regarding gross margins. If you look at this quarter, LFS, which is a low-margin channel, has declined, while EBOs continue to do well. Despite this, we are seeing raw material pressure, which is why the margins were down. My question is: how much of the inventory at the new raw material prices was reflected in the current quarter's sales? It would generally be a process where inventory is spread over, and you would already be holding a good amount of old inventory. I am trying to understand how much of the impact could be coming—

Gautam: You are asking how much more impact there could be. It is very difficult to judge that, and I will tell you why. As raw material prices have increased, we have also increased the MRP on some of our articles. So, it is very difficult to judge what the further impact on gross margins will be. My estimate is that this quarter we had a 200-basis-point impact on gross margin. I think in Q3, we should have a gross margin impact of anywhere between 100 and 200 bps. That is my estimate. It is difficult to judge, but roughly I feel our gross margin impact should be about 100 to 200 bps in Q3.

Avinash Karumanchi – Motilal Oswal Financial Services: If I look at the ASP, it is up by 6%. Is that a reflection of the price hikes that you have already taken, or is it just the channel and product mix?

Gautam: It is a combination of many factors, including perhaps a little bit of the price hike. The price hike would not have shown up yet because we have taken the price hikes only recently, so it would not show up in the ASP that quickly.

In bottomwear, we have introduced many value-added products with selling prices of 800 and 900 rupees. Also, because our daily wear concept has picked up and has reached 21 stores, the topwear in these 21 stores obviously has a much higher ASP. So, there would be a small impact from that as well. I think it is a combination of new bottomwear products and some of the topwear also selling well in the 21 stores.

Avinash Karumanchi – Motilal Oswal Financial Services: It is mostly product-mix-led change.

Gautam: It is not a price-hike-led mix yet.

Avinash Karumanchi – Motilal Oswal Financial Services: Finally, a more qualitative question. You have partnered with a new brand ambassador. I am trying to understand not only that, but also the scale-up of the larger stores. How are footfalls and conversions tracking? When you close 2 smaller stores and open a large store, and then spend on A&P, are the footfalls generally higher than what you used to see earlier, and are conversions also higher? How are you looking at it qualitatively?

Gautam: From an advertising perspective, because the Shraddha campaign started only after July, we will be able to assess and gauge the campaign only after the festive period is over, Avinash. Right now, whatever little feedback we are getting suggests that the campaign is doing well, but on a concrete basis, we will be able to gauge that campaign only after the festive period.

As far as opening one large store and consolidating 2 stores is concerned, we have seen that a good part of the revenue of the 2 stores gets converted into the larger store within a few months. So, I think that business moves immediately. I will give you an example. We have shut so many stores over the last 6 months, but you have not seen a drop in turnover. This very clearly indicates

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that whenever we shut the smaller stores, the revenue moves to the larger ones immediately.

In fact, the entire revenue will take a little more time to move, but a good part of the revenue moves immediately. That is why you do not see a degrowth in our turnover for H1 even after closing so many stores between H1 last year and H1 this year.

Avinash Karumanchi – Motilal Oswal Financial Services: Got it, sir. One last question, if I may ask. This is a follow-up to the earlier participant regarding SSSG. This quarter, despite the festive shift, you are still at a flattish SSSG, which is an encouraging sign compared to the [cut off]

Avinash Karumanchi – Motilal Oswal Financial Services: Last couple of quarters. Will we see an improvement, or what is driving this improvement going forward for the next few quarters?

Gautam: Fingers crossed, Avinash. The data looks good. We have been seeing 49 days to the festive season, so we basically calculate 49 days to Dussehra and 49 days to Diwali, and the number is looking decent. We will wait for the quarter to end before giving a full summary of how the quarter has gone, but quarter three has been decent for us.

Avinash Karumanchi – Motilal Oswal Financial Services: Thank you, sir. That is all from my side.

Operator: Thank you. Our next question comes from the line of Sameer Gupta with India Infoline. Please go ahead.

Sameer Gupta – India Infoline: Hi, everyone, and thank you for taking my question. Firstly, Gautam, today, with a system of 737 stores, can you give us some color on the proportion of stores above 700 square feet in the system, and also on the store closure pipeline wherever you have visibility, say, for the next 12 months?

Gautam: Just 1 minute, Sameer. I am going to retrieve the data on the breakdown. I do not have it readily available. Just give me a second. [pause] I do not have the updated breakdown for the 737 stores, but I will give you a rough idea, Sameer. Please pardon me if I am wrong, but I will provide the data through SGA. My understanding is that the small stores are anywhere between 120 and 150 stores, which are less than 300 square feet, and the stores above 700 square feet number approximately 90 or 100, if I am not mistaken. Again, these numbers are just from memory. I will send the accurate data through SGA tomorrow itself.

Sameer Gupta – India Infoline: Got it. The number that you cited for SSG-negative stores is for stores below 300 square feet, not stores below 700 square feet?

Gautam: No. When we look at SSG, sometimes even some of the larger stores will be negative because that is a result of how the market and the mall are performing. I cannot take those exceptions into account. If I have to look at a proper sample set, most of the negative stores are the smaller ones.

Sameer Gupta – India Infoline: Which are below 300 square feet?

Gautam: Yes, below 300, correct. I would say most of the negative stores would be below 300 square feet. That would be the right way to put it.

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Sameer Gupta – India Infoline: That is helpful. So, basically, less than 20% of the stores are where you would say the problem largely exists. Eighty percent of the network is now where you want it to be. Of course, it will get better with time.

Gautam: Not really. I understand what you are saying logically, but for us, the stores in the 400-500 square feet range also need to be increased in size and made into 700-800 square feet stores. The 400-500 square feet stores are not a very big issue for us, but the larger issue is the very small stores. Even the 400-500 square feet stores need to be upgraded slightly over a period of time, and a larger store needs to be opened.

Sameer Gupta – India Infoline: Let me frame the question in a different way. Whatever, by your definition, is the problem area, what would be the percentage of that cohort?

Gautam: It should be 20% to 30% of the stores. Again, because this is a very definitive answer, Sameer, when we share the stores by bucket through SGA, I will answer this particular question with that data.

Sameer Gupta – India Infoline: I am not looking for a particular set, but [crosstalk]

Gautam: [crosstalk] No, because you are asking a specific question. I know, but because this is a specific question about a particular number, I do not want to give anything more than the rough ballpark I have provided. I will give you the exact numbers through SGA.

Sameer Gupta – India Infoline: What would be your estimate of the pipeline of store closures, say, in the near term or over the next 12 months?

Gautam: Again, it is difficult because this number changes based on the real estate we find. Based on the visibility I have at present, Q3 closures will be anywhere between 15 and 20 stores.

Sameer Gupta – India Infoline: Fair. My second question is on input cost inflation for your category, particularly fabric costs. I have a follow-up, but let me take that answer from you first.

Gautam: Obviously, raw material prices have gone up. We thought they would cool down in July and August. They cooled off a little, but prices were still high. We have to take a price hike on some of our products where we feel the impact has been larger. As I mentioned to Ankit as well, we have taken a price hike on some products, and we will take it on some others after the festive season. Over a period of time, this gross margin impact of 200 basis points that you can see in our P&L should improve and return to the earlier level.

Sameer Gupta – India Infoline: I was actually asking about the quantum of inflation that you are facing. Is it 15%? Is it 10%?

Gautam: It is between 8% and 10%, as I understand it. Yarn prices and fabric prices have changed every month. But if I take a blended figure, I think it is about 8% to 10%.

Sameer Gupta – India Infoline: Got it. Now, a follow-up to this. If I look at your year-end inventory, which is largely finished-goods inventory, it is around 267 crores. If I look at first-half COGS plus subcontracting, it is around 168 crores. So [trails off]

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Gautam: No, one second. Sorry, which inventory did you say was 267 crores? Can you repeat that?

Sameer Gupta – India Infoline: The March-ending inventory.

Gautam: Yes, March-ending inventory was 268 crores, correct.

Sameer Gupta – India Infoline: Right, 268, sorry. If I look at first-half COGS, the amount that you report in the P&L, plus the subcontracting charges, that is around 168 crores.

Gautam: Mhm. Okay.

Sameer Gupta – India Infoline: Logically, then, most of the inventory gets used up in the first half, unless the March-ending inventory itself was held at a higher fabric cost. Why should there be any gross margin pressure in the P&L right now? I understand fabric costs have gone up, but that should be sitting in your inventory, right? You would still be using the older inventory for current sales.

Gautam: That depends on the product. For some fast-moving products, inventory days would be much lower. Some products would be slower. So, it is very difficult to bridge the gap in the way you are suggesting. If all my products sold at the same rate, perhaps what you are saying would be true. But it is very difficult to bridge what you are saying from March's number to the current number.

Sameer Gupta – India Infoline: Understood. So, probably you are also holding higher-aged inventory, and you do not see that as a problem.

Gautam: Yes, we would have older inventory at the older price. What you are saying is right. But from an impact on gross margins perspective, my hunch is that the impact would be anywhere between 100 bps and 200 bps in Q3.

Sameer Gupta – India Infoline: Got it. Great. That is all from me. Thank you, and all the best.

Gautam: Thank you, Sameer. Thank you for your patience.

Operator: Thank you so much. Our next question comes from the line of Madhur Rathi with Counter Cyclical Investments. Please go ahead.

Madhur Rathi – Counter Cyclical Investments: Thank you for the opportunity. Firstly, I wanted to understand the receivable days and receivable amount. It has moved from 106 crores to 125 crores, while our LFS revenue has declined. I am not able to understand why this has increased. Could you address it?

Gautam: It has also happened because our online receivables have gone up a little bit. We have also started doing some quick commerce. On that basis, some of our online receivables have increased. We also have export receivables for the Dubai store. So, the spike is largely because of non-LFS business, more specifically online business.

Madhur Rathi – Counter Cyclical Investments: Right.

Gautam: We have started doing quick commerce, and we have also started doing online business on an SOR basis with Amazon. So, quick commerce and Amazon together have caused some

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increase in our online receivables from March.

Madhur Rathi – Counter Cyclical Investments: Gautam, I wanted to understand this. Our small stores seemed to be doing all right until FY25. What suddenly happened that caused the smaller stores' SSG to deteriorate?

Gautam: The deviation in SSG obviously happens over a longer period of time. It simply became more visible from FY24 or FY25 onward. That is when we also started noticing the trend. For anything to show up, it takes place gradually. It just became more evident from that point onward.

Madhur Rathi – Counter Cyclical Investments: Understood. So, Gautam, are we totally exiting the 300-square-foot stores, or will we retain some of them that are doing good business?

Gautam: It will depend on the availability of real estate. I will give you one small example. There is Inorbit Mall in Hyderabad where we have a 200-square-foot store. That store does extremely well for us in that mall. It is an exceptional store. However, we do not see ourselves getting a 600-700-square-foot store in that mall over the next 15 months because the renewals are yet to come in. In such cases, where there is no real estate available in that particular area, we might have to continue with a smaller store until then.

Madhur Rathi – Counter Cyclical Investments: Ultimately, we will exit all the 300-square-foot stores, correct?

Gautam: Eventually, yes. And one more thing: when I select a store above 700 square feet, I do not want to be in a situation after 3 years where 700 square feet is again turning out to be tight. In a store above 700 square feet, I have enough room from a long-term perspective to manage that format. So, eventually, our bottomwear stores are going to be in the range of 700 to 800 square feet, or perhaps a little more, maybe 700 to 900 square feet. Over a longer time horizon, we will eventually exit all our smaller stores. That is the plan.

Madhur Rathi – Counter Cyclical Investments: Understood. Is the only issue the store size, or is it that all the B2C brands and fast-fashion brands such as Zudio that have emerged over the last few years have taken a share, and is that impact also present? Is there an issue with the merchandise, where the merchandise ultimately has to be attractive enough, or is the issue really confined to the 300-square-foot stores? Are we clear about what the problem is and whether the diagnosis is [crosstalk]

Gautam: [crosstalk] I will tell you what it is. In my view, it is purely related to the store. Now, why does the store make such a big difference? For any business to continue growing, you need existing customers to come back to the store, and you need new customer acquisitions. When your store is very small, it carries an inherent perception that the range of products you carry will be smaller and more limited.

What a larger store does is increase the frontage of the store. A smaller store's frontage will be anywhere between 10 and 12 feet. When you take a larger store of, say, 700 square feet, it will have a minimum frontage of at least 19 or 20 feet. When you have a frontage of 19 or 20 feet or more, the visual merchandising and the number of products you carry increase dramatically.

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Customers experience the store first and then experience your product. So, the store is, if you ask me, the real reason for our slowness, and I think the larger store is what is going to fix it. From a merchandise perspective, I can tell you [trails off]

Madhur Rathi – Counter Cyclical Investments: Please go ahead, Gautam, on the merchandise.

Gautam: From the merchandise perspective, no brand can be perfect. There will always be gaps in every brand's product portfolio. But when I look at our portfolio of products, we are well diversified in today's bottomwear products that younger consumers and millennial consumers are asking for. So, I think it is not a merchandise problem.

As far as competition is concerned, as you mentioned, competition was always there. Westside and Zudio, the big names you mentioned, have always had bottomwear. Even before COVID, if you consider all the larger-format stores, those stores kept bottomwear along with topwear. So, I do not think this is something that has increased dramatically only in the last 2 years. Our growth problem, or our growth headwinds, are due to our store format rather than anything else. That is my view and management's view.

Madhur Rathi – Counter Cyclical Investments: Gautam, why have we entered menswear? The small store does not have room to display all the merchandise of our core women's wear, and then we have entered menswear, so basically [crosstalk]

Gautam: [crosstalk] I will clarify that. The menswear and the topwear we are keeping for women, and the format in which we are keeping them, are different from our bottomwear stores. This pilot was planned after working on it for the last 2 years.

What happens in this pilot, Madhur, is that we take stores with sizes anywhere between 1,500 and 2,000 square feet, and in those stores we accommodate bottomwear and women's topwear, and we have allocated a very, very small space for menswear. That pilot and that concept are completely independent of the bottomwear story I am discussing.

Out of the 737 stores we have today, 736 stores are in India. Of those 736 stores, 21 are stores larger than 1,500 square feet per store, closer to 2,000 square feet, where we accommodate all the other merchandise. This is merely a pilot. As I mentioned in the earlier calls, we will {? put in ?} another 8 or 9 stores and see how that business performs. If that business does well and works for us, topwear becomes a new growth engine for us along with bottomwear.

Madhur Rathi – Counter Cyclical Investments: Understood. But it still sounds like a knee-jerk reaction, especially entering menswear. We can try selling more products to women since women are our customers, but entering menswear, which is an entirely different segment, somehow sounds desperate. In any case, since you mentioned it is a pilot, I think we have to try many things, and something will work and we will pursue it. That is understandable, Gautam.

Now, when we are doubling our [crosstalk]

Gautam: Just one second, Madhur. I want to clarify one point before we move to the next question. I understand that menswear sounds very unusual, but for the kind of daily wear concept we wanted to create, including menswear becomes important.

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We also understand that we are a women's wear brand. That is why, in all these stores where we have implemented the daily wear concept, the space allocated to menswear is only 10% to 12%. Eighty to 85% or more of the space has been allocated to women. The menswear to which I am allocating 10% to 12% of the space is currently generating sales proportionate to that space. Men who come to these stores with women are buying from that section.

So, in the pilot, we have been very careful not to overdo menswear because we know our strength is obviously women's wear. I just wanted to add that point to the question.

Madhur Rathi – Counter Cyclical Investments: Understood. So, now that we are planning to double our square footage over the next 5 years, have we evaluated a FOCO strategy? Why do we want to put the rent and everything on the company's balance sheet? Are we not finding enough people who are interested in our franchise?

Gautam: Your question is valid, Madhur. There is no single right way to approach franchising or non-franchising. From my past experience, for a format and supply-chain business like ours, we feel that a company-owned, company-operated model is better because we would like to have full control of the inventory at the store level.

I would not say that COCO is better than FOCO or FOCO is better than COCO. The strategy works differently for different brands. For our type of supply chain and our type of template, we feel COCO is better.

Because our payback periods have been attractive, even if we invest in doubling our square feet, from a cash-flow perspective, our operating cash flow will be far higher than what we are going to invest in store openings. So, we feel that a COCO model is better suited to us.

Madhur Rathi – Counter Cyclical Investments: Understood. Lastly, last year we did around 182 crores of LFS revenue—I am talking about FY26—and on that we gave a discount of 61 crores. Is this 61-crore discount solely attributable to LFS?

Gautam: I am not very sure about the 61-crore number. I would have to look at the P&L to know exactly. Any discount given in LFS is largely margin given to the LFS partner.

What happens is that most large-format stores take a significant part of the margin when we bill the product to the large-format store. Approximately 5% to 6% of margin is debited to us later during the year based on a mutual understanding regarding promotional participation. It is not really a discount; it relates to the promotions that large-format stores run at the store level for their overall marketing.

So, any discount that affects the top line for LFS is largely additional margin that we give during the year, and reconciliation usually takes place in quarter four. If you notice, with one of our larger large-format store partners, we usually receive the credit note only in the last quarter of the year as a reconciliation note. To answer your question directly, it is more margin than discount.

Madhur Rathi – Counter Cyclical Investments: If we compare FY26 LFS sales of 182 crores with 202 crores in FY25, LFS revenue fell by around 20 crores last year, whereas discounts increased from 44.5 crores to 61 crores. So there is a [crosstalk] significant jump.

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Gautam: I will check where the 61-crore number came from. Mohan, my CFO, and I will check it and send a clarification note. But the one thing I definitely know is that the reason LFS revenue fell from FY25 to FY26 was that, in Q3, we had major supply-chain disruptions with one of our larger LFS partners. As a result, we lost a significant amount of billing and sales in Q3 last year, which impacted the overall revenue for FY26.

As far as discounts are concerned, it cannot be a number of 60 crores. In any case, I will go back, check, and send a clarification note. The margins for which we will pass a credit note to the LFS partner will be to the tune of 5% to 6% of LFS sales and not more.

Operator: Mr. Rathi, are you done with your question?

Madhur Rathi – Counter Cyclical Investments: Hello?

Operator: Yes, Mr. Rathi, can you hear us? All right, it seems that Mr. Rathi has disconnected.

Gautam: Okay.

Operator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Gautam: I would like to thank everyone for being part of this call. We hope we have answered your questions. We are undertaking a comprehensive transformation in our store-format strategy, our product portfolio, our brand investments, and our new brand and business initiatives. The transformation will take time to fully manifest in our financial numbers, but the early signals are very encouraging.

If you need any more information, please feel free to contact Mr. Deven Dhruva from SGA, our investor relations advisors. Thank you.

Operator: Thank you so much, sir. Ladies and gentlemen, on behalf of Go Fashion (India) Ltd., that concludes today's call. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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