

Shoppers Stop

Operator: As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Deepali Kumari from Arihant Capital. Thank you, and over to you, ma'am.

Deepali Kumari – Arihant Capital: Thank you so much. Good evening, and thank you all for joining us on the Shoppers Stop Ltd. Q2 FY27 earnings conference call. Today, we have with us the senior management team, represented by Mr. Kavindra Mishra, Customer Care Associate, Managing Director and CEO; and Mr. Pankaj Chaturvedi, Customer Care Associate and CFO. We will begin the call with the opening remarks from the management, after which we will open the forum for the interactive Q&A session.

I must remind everyone that the discussion in today's earnings call may include certain forward-looking statements and must therefore be viewed in conjunction with the risks that the company faces. Please restrict your questions to the quarter's performance and strategic questions only. Housekeeping questions can be dealt with separately with the IR team. I would now request Mr. Kavindra Mishra to make the opening remarks. Thank you, and over to you, sir.

Kavindra Mishra – Managing Director & CEO: Thank you, Deepali. Good evening, everyone. I am joined by Biju and Mahesh, in addition to our colleagues from the finance team: Pankaj, who is our CFO, JP, and Rohit. We have uploaded the investor presentation on our corporate and stock exchange websites.

Let me start by discussing the current operating environment.

The current operating and consumption environment, which started picking up in Q1, sustained its momentum through Q2, and I am happy to share that demand continues to remain strong.

Both Raksha Bandhan and Onam saw good consumer traction.

I am also happy to share that the run-up to Pujo in the East and Dussehra in key markets has been significantly strong, and I will comment on this in detail.

Talking about the festive season, the start of the Pujo calendar in the East market has been very good, and we are witnessing healthy mid-teen like-for-like growth in our stores. Given the fact that we have a very strong base in the East, these numbers are very encouraging.

Similarly, the Dussehra calendar has also shown a strong upsurge, with mid-teen like-for-like growth.

Coming to our Q2 performance, here are some of the key highlights.

Given the background of the festive calendar shifting from Q2 last year to Q3 this year, I am pleased to report that the results for Q2 have been quite encouraging and demonstrate the execution of the Shoppers Stop 2.0 strategy beautifully.

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

On a non-GAAP consolidated basis, our revenues grew by 7%, EBITDA grew by 56%, and as a result, we were able to turn around PAT from a loss of 7 crores last year to a profit of Rs 6 crores this year.

On a GAAP basis as well, PAT recorded a positive swing from a Rs 20 crore loss last year to a Rs 3 crore profit this year.

Let me now discuss the individual verticals, starting with an update on the departmental store business.

We opened four departmental stores during the quarter: Sindhu Bhavan in Ahmedabad, Jabalpur, Bailey Square in Patna, and Jhansi. This means that we opened a total of six departmental stores in H1.

Against our earlier guidance of gross store openings, where we had mentioned that we would open between 9 and 10 stores, we are now looking at 12 store openings this year. In line with our strategy, these are upmarket stores with elevated design, modern ambience, and premium assortment.

We will be opening our seventh store in Pacific Mall in Jaipur, which is North India's largest mall, next week on October 23.

The like-for-like business for departmental stores grew by 2% this quarter, with total growth of 4%. Adjusted for the festive calendar shift, because the Pujo dates shifted from September to October, like-for-like growth was 6.5%.

Our consistent focus on premiumisation and experiential retail continues to resonate strongly with consumers. Customer entry grew by 1% for like-for-like stores and by 7.7% overall.

We had the highest-ever additions to our First Citizen loyalty program, with 2.5 lakh new recruitments. The premium end of our loyalty program, which is our Black Card program, reported the highest-ever enrollment. We had 19,000 new recruitments and the highest-ever renewals of 21,000, which represents a renewal rate of around 66%, demonstrating the value proposition from a consumer perspective, in addition to our personalised service standards.

The total loyalty membership base grew to 14.1 million. The total contribution this quarter was 84%, with a repeat rate of 68%. Notably, our numbers across the loyalty program metrics continue to grow.

What was especially heartening for us was the fact that, with the positioning change, we were also able to attract a new set of consumers, and 37% of our bills were generated by consumers who visited our stores for the first time.

With our consistent focus, the premium portfolio contribution in stores improved by 390 basis points and now stands at an all-time high of 73%. ATV for the quarter has increased by 9% and now stands at Rs 5,471, demonstrating core operational strength.

Our Personal Shopper program, which is central to our experiential retail strategy, is now contributing 27% to our revenue, an increase of around 200 bps versus last year. Sales generated

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

through personal shoppers grew by 13%, with total sales reaching 349 crores for the quarter. In our quest for further premiumisation and service experiences, we are resourcing the stores with more personal shoppers, and we expect this contribution to reach 30% of revenue by the end of the year.

As part of our premiumisation strategy, we have always discussed the five power categories. They continue to outperform within the departmental stores. Watches grew by 24% year-on-year, handbags grew by 16%, fragrances by 13%, footwear by 9%, and sunglasses by 8%.

We are also seeing very strong growth in fashion, and we believe that this augurs well for the coming festive season.

Now I will move on to the Private Brands business.

Private Brands continue to be a key strategic pillar for us in terms of offering differentiated ranges and covering the gaps in a set of categories. We will continue to focus on driving productivity and improving profitability through premiumisation and rationalising discounts. Despite reducing the number of brands and reducing inventory by 26%, I am very happy to share that we have seen a significant improvement in the profitability of the Private Brands concept.

We had also announced a partnership with Aditya Birla Lifestyle Brands for the STOP-Peter England collaboration. It brings together two iconic names in Indian menswear to deliver exceptional quality, contemporary style, and greater value for our consumers. I am very happy to share that the initial results have been quite encouraging, and we expect this to accelerate further.

Our Beauty business continues to deliver encouraging momentum, and here is an update on the same.

The overall Beauty business, including Global SS Beauty, delivered revenue of Rs 367 crores during the quarter, registering healthy year-on-year growth of 18%, led by fragrances, which grew by 35%.

With consistent efforts and new initiatives, including the MAC loyalty program and the promotion of exclusive services, the Estée Lauder business grew by 4% on a like-for-like basis for the second consecutive quarter, after an LFL decline for the previous four consecutive quarters.

Our Beauty distribution business continued its strong growth trajectory, generating revenue of Rs 168 crores, equivalent to 270 crores of GMV, with stellar year-on-year growth of 59%.

We opened two boutiques during the quarter, taking the total to 11 boutiques: four Armani, three NARS, two Shiseido, one Prada, and one Creed.

We will continue to accelerate scale through ongoing capex allocation, which has generated a healthy return on capital employed.

The performance underscores beauty as a strategic pillar for Shoppers Stop, targeting high growth through strategic partnerships, digital acceleration, and store expansion.

Let me discuss some new initiatives, starting with the Intune business.

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

Our continuous commentary last year on Intune was that we needed to stabilise operations, improve unit economics, and liquidate old inventory before we started seeing growth in the business. I am happy to share that execution in the business has started showing initial results. We recorded revenue of 72 crores in Intune, with festive-adjusted like-for-like growth of 6%. As with Shoppers Stop, the start of Dussehra and the festive calendar has been very positive, and we are also growing in the mid-teens in Intune.

Our relentless focus on inventory freshness through in-season clearance and online accessibility helped us reduce inventory by 33 crores year-on-year. The business is currently operating at an inventory level of 16 weeks' cover. We are confident of operating with similar discipline in the coming months, driven by improved full-price sell-throughs, robust supply chains, and more frequent drops. Due to these controls, we are entering the festive season with high freshness in merchandise, and we believe Q3 will be a very strong quarter for us.

Our repeat customer business improved to 49%, while ABVs improved by 6%, and items per transaction were at 3.5. Given the fact that our repeat customer mix was 47% in Q1, this quarter-on-quarter movement is very good news for us.

Led by improvement in Intune productivity and the integration of ssbeauty.in into shoppersstop.com, we could reduce EBITDA losses in new businesses by Rs 8 crores in Q2 and Rs 12 crores in H1. We expect the losses to reduce further in Q3 and Q4.

We also believe that we will be able to share our expansion plans for Intune in our Q3 earnings call, which is something we have often been asked about.

Moving on to the e-commerce business, our investments and efforts over the last year to improve the UI/UX and integrate the site have started showing good results. We grew by 52% over Q2 last year. Interestingly, we are seeing the impact of premiumisation online as well. Our average bill value grew by 9%, and power categories such as watches led growth, reflecting the premium behaviour of our consumers across both offline and online channels.

On store expansion and financial discipline, we continued with a prudent capital allocation strategy focused on enhancing returns and reinforcing balance sheet strength. During the quarter, we opened seven stores: four departmental stores, two beauty boutiques, and one MAC shop-in-shop. Total inventory was optimised by Rs 78 crores year-on-year.

I would like to share how we are leveraging AI across the business. Over the past couple of years, as an organisation, we have been working extensively on both machine learning and AI in various parts of our business. Within Shoppers Stop, we look at AI from two perspectives: revenue generation and cost.

Under revenue generation, our focus is on personalisation and targeting consumer activations. We have just rolled out version 2.0 of the Personal Shopper app, which uses deep insights to enhance the consumer experience. We have also rolled out personalised couponing for consumers in stores, based on their shopping behaviour. We believe that as both these projects mature, they will be very meaningful in our consumer experience journey as well as in driving like-for-like growth.

Shoppers Stop

Under cost mitigation, our focus is on sharpening backend systems and processes. Inventory planning and optimisation through demand forecasting, which started with Private Brands, has now also been extended to Intune. The resulting efficiency improvements will be seen over the next few quarters.

Finally, let me reiterate our strategy going forward. We will continue to accelerate premiumisation. We will continue to deepen our strategy by strengthening partnerships with leading brands and expanding our premium portfolio, launching new brands, and enhancing the premium shopping experience through new store openings and key renovations.

Building on the momentum in consumer walk-ins, we will continue to elevate the Shoppers Stop experience through innovations, GTMs, and aspirational brand positioning.

We will continue to strengthen our footprint in premium malls and high-potential locations, leveraging our growing preference among leading mall developers and reinforcing our position as the departmental store of choice.

We will continue to work to reduce further losses in Intune in H2.

Finally, beauty distribution is a core target for us, and we will continue to expand the portfolio.

We maintain our estimated revenue growth of mid-single-digit or slightly higher LFL for FY27, along with healthy expansion in profitability, as already witnessed in H1.

With this, I would like to open the floor for an interesting Q&A session. Thank you.

Operator: Thank you, sir. We will now begin 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 a handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question comes from the line of Avi Mehta. Please go ahead.

Avi Mehta – 360 ONE Capital: Hi, team. Thank you for the opportunity. This is Avi Mehta from 360 ONE Capital. Sir, I wanted to get your thoughts on one aspect. For the last few quarters, we have been on this journey of improving balance sheet health, and that has more or less been done, or we are closer to the finish line, if I may say so.

I wanted to understand how you see this and what is required for us to increase the pace of store additions, especially in Intune and departmental stores. What are your thoughts on this? While we have increased from 9 to 12 stores, is this something that could move to 20 or 30 stores? What is required for that to happen? That is the first point.

The second question I wanted to ask is on the beauty side. We are witnessing the debate about online versus offline in the beauty segment. Given that we have started with a very strong position here, what are your thoughts on the pace of growth over the next 3 years? How large do you see your market share becoming? Those were the two questions. Thank you very much.

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

Management: Thanks, Avi. That is a great question. Let me start with the first point, which is the thought process on departmental store expansion. As you rightly mentioned, at the start we had spoken about opening close to 9 stores, and now that number has been extended to 12.

The way we are looking at the departmental store business is that, as we move into a more premiumisation-led story, we need to ensure that there is a certain size of store and a certain catchment for the store. When I refer to catchment, it does not mean that we can only be in the {? Jhus ?} of the world. We just opened stores in Jhansi and Jabalpur, and both of those stores are premium and are doing well.

Currently, our sense is that the number of store openings is also a function of malls and locations. Therefore, we are in the process of building a very healthy pipeline. Our guidance would be around 10 to 12 stores, or, as we have mentioned, 12 stores this year, with a similar number for the coming 2 or 3 years.

If we are able to obtain more options based on pipeline availability, we are very eager to do so, because what we are seeing is that the concept is clearly working well in terms of our differentiated positioning and the way consumers are responding to our product and service offering. We are quite bullish on it. It is a function of obtaining the right departmental store space and location.

From our side, I think we are quite open to opening more stores. It is a function of how we are able to close the arrangements.

In terms of Intune, as I mentioned, last year we were talking about getting the operational piece right. As a team, even at the start of the year, we had said that we wanted to wait for 2 or 3 quarters, observe the performance, and then fix the operating pieces, supply chain, and merchandising. Once those pieces were fixed and we had cracked the unit economics, we would proceed with the next round of expansion.

I think Q3 is a very critical quarter for us. As we speak, I would be able to answer your queries in a much stronger and more positive way regarding our expansion plan and how we are looking at Intune for FY28 and going forward. Right now, our focus is simply to ensure that we deliver on the momentum we have achieved.

On the question of beauty, as I mentioned, beauty is a business where we are seeing strong, accelerated growth. If I discuss the beauty business, there is a retail business and a distribution business. In retail, we are seeing growth as the stores grow. We are also very excited about the distribution business, where we are growing by approximately 50-55% year-on-year, and we will continue to grow in that segment going forward.

If you look at our distribution business, we are very strong at the premium end of the market, and fragrances are an area in which we are very strong and which is doing well. ELCA, which was struggling for some time, has actually turned around and become positive. Again, we are speaking with the business there and trying to develop that area as well.

I would request Biju to also speak about how he views the distribution business in the current scenario.

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

Biju: Hi, Avi. With regard to the distribution business, as you can see from the numbers, we have been able to reach a strong base. Obviously, the company is still very young, but over the last 3.5 years, we have been able to grow quite strongly.

We have also developed the ability to work with partners who are serious, long-term-oriented, and who believe in the Indian market. Together, we believe that we should be able to continue this strong momentum. There is also a belief within the international fraternity that this country represents a major opportunity, and this is where we are working together.

Avi Mehta – 360 ONE Capital: Understood, sir. If I may clarify one point on the beauty side, do you think the path to better profitability may require investment in working capital as we get to this scale? Is that how I should view the margin profile, or is it simply a story of operating cost leverage?

Pankaj: This is Pankaj. As far as the addition of portfolios and brands is concerned, yes, we might need an infusion of some capital, and you would see in our cash flow statement that we have invested in the distribution business.

As far as the retail business is concerned, it will be largely BAU. Any investments required will be self-funded. If you look at the optimisation we have undertaken in our overall inventory levels, that working capital reduction is also helping us in this area.

We expect to achieve the growth we are achieving currently, and if there is some requirement for capital, I would say that there are no constraints. We are geared up for that.

Avi Mehta – 360 ONE Capital: Understood. Very clear, sir. Thank you very much for taking these questions. Thank you.

Management: Thank you.

Operator: Thank you. Before we take the next question, we would like to remind participants that you may press star and one to ask a question. The next question comes from the line of Avinash Karumanchi with Motilal Oswal Financial Services. Please go ahead.

Avinash Karumanchi – Motilal Oswal Financial Services: Good evening, sir. Congratulations on a good set of numbers. My question is regarding Intune. Intune has seen a couple of store closures this quarter. What are the learnings from these store closures? What do these closures have in common? Do we foresee any further closures?

Management: Thanks, Avinash. If I discuss the store closures, there are obviously operational learnings for us in terms of the spaces we selected and the combination of locations and catchments.

For us, malls in particular have performed very well in terms of throughput. The two spaces we have closed were essentially high-street locations, and that is something we are learning from. On the other hand, we have also opened two Intune stores, although that is a small number.

What we see is that as the brand matures over a period of time, we will also develop strength in high streets. While malls are doing well for us, high streets are an area on which we are working to

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

drive throughput through both marketing and repeat customers.

I think the data we shared in my speech—that 49% of our consumers are returning and purchasing again—is a very healthy number. As we build that repeat consumer behaviour, I think we will be able to strengthen both high streets and mall spaces.

Avinash Karumanchi – Motilal Oswal Financial Services: Understood. Can you discuss the backend or supply chain changes you have made for Intune, because of which you are expecting better performance going forward?

Management: The backend changes have happened on three fronts.

The first is getting the supplier base right by working with more reliable suppliers to ensure that OTIF improves. That is one of the key things we wanted to drive, to ensure that the product is available on time when it is required.

The second area is automation. Two years ago, we launched 1B within Shoppers Stop Private Brands, and we saw a very positive impact there. This has now been implemented in Intune, and therefore, as I mentioned, it will continue to drive improvement there.

The third area is having more frequent drops, because freshness is extremely important in a category like this, particularly when, at such a nascent stage, 49% of people are returning and shopping.

These are the three fundamental things we have driven to improve Intune productivity: strengthening the vendor base, ensuring that automation takes care of deliveries, and focusing on freshness through more frequent drops.

Finally, another project we are currently working on is reducing the time from design to floor. This includes taking bets on grey fabric to ensure that we are able to get the output faster. That is another project we are working on, but it is still a work in progress.

The other initiatives I mentioned have already been implemented over the past 2 quarters, and we are now seeing the results.

Avinash Karumanchi – Motilal Oswal Financial Services: Just double-checking on this point, how frequently are the launches currently? If we consider a competitor that is doing well, every 45 days the entire store is refreshed with newer products in terms of the product catalogue. How frequently are we doing it? What is that number for us?

Management: We are ensuring that we have now moved to weekly merchandise updates. Typically, we are not refreshing the entire store, but at least 100 to 150 options, or lines as we call them, are being introduced in the stores every week.

Avinash Karumanchi – Motilal Oswal Financial Services: Understood, sir. Lastly, is there any RM pressure in the Intune private labels?

Management: Sorry, what pressure?

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

Avinash Karumanchi – Motilal Oswal Financial Services: Gross margin or raw material cost pressure. Have you taken any price hikes to offset that?

Management: We do not see that pressure currently in Intune. We have not taken a price hike, but in our minds, we had artificially maintained a ceiling of 999.

When we started testing a line priced at 1,299 last year, or at the start of this year, we realised that both ROAS, or return on ad spend, as well as ROS, or returns on sales, and the throughput, which is the sell-through, were very high.

Therefore, we are building a better product. It is not necessarily a price hike; rather, we are offering a better product and testing prices at 1,299 and 1,499. We are seeing very good success there.

To answer your question, there is no pressure on margins as of now. We are testing this, and you are also seeing a higher ASP doing well for us.

Avinash Karumanchi – Motilal Oswal Financial Services: Understood, sir. Secondly, regarding the departmental stores, you have raised your guidance on departmental store additions. Would it be a challenge to find such large areas across the country? Will these stores be in existing cities, or are you entering newer cities for this expansion?

Management: That is why, when Avi asked whether we could open 20 stores or perhaps even more, the answer was that we are trying to build a healthy pipeline. Over the next 3 years, we are visiting the possibility of at least 12 stores every year in terms of additions, but we can continue to do more.

Management {? Kavindra ?}: Two or three things are happening. First, our teams are working on building the pipeline. Second, a lot of departmental stores that were signed in the early 2000s are now coming up for renewal. Some of those may be locations where we currently do not have a store.

Given the fact that we are the only departmental store operator now working on premiumisation and attracting the kind of consumer that premium malls want, we will also get spaces from our competitors. We opened a store in Pune that was previously occupied by somebody else, and we obtained that space. I think this will continue to happen.

Store size is something we need to have because size is important. As I mentioned, if you premiumise, you should have better walking aisle space, and you need to give brands the space they require. We will continue working on this.

When I say we are opening stores, we are looking at a combination of metros, tier 1, and tier 2 cities. In fact, the last two stores we opened were in Jhansi and Jabalpur, and the next one we are opening is in Jaipur, where we already have three stores.

We will continue to maintain a mix of newer cities and additional stores in the same city, and I think the response has been encouraging.

We know for sure, and we are seeing through our interactions with all the leading developers, that we are their partner of choice. This entire repositioning through Shoppers Stop 2.0 has helped us

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

achieve that. As we move up, there are very few operators working in this space, and that is where we are seeing positivity, Abhinav.

Avinash Karumanchi – Motilal Oswal Financial Services: Understood, sir. Thank you. I have one last question, if I may. We are most likely to be debt-free by the end of this year. With the cash that you will generate, what is the plan to deploy that capital? Will it be used to add more stores, or how are you looking at it?

Management: Abhinav, that is a good question. While we will achieve the balance sheet robustness that we have set for ourselves, the cash generated and all our internal accruals will be used for expansion in a healthy and profitable manner.

Kavindra just mentioned 12 stores per annum. At the same time, we also discussed how Intune is on course for profitability. Therefore, there will be some investment required whenever we find the right opportunity for Intune as well.

We will also grow our distribution business very rapidly. You have seen the kind of CAGRs we have achieved in the distribution business. All these areas of profitable growth will need some capital investment, and we will have internal accruals as well as balance sheet robustness to fund that growth.

Avinash Karumanchi – Motilal Oswal Financial Services: Understood, sir. Thank you. All the best.

Management {? Kavindra ?}: Thank you.

Operator: Thank you. The next question comes from the line of Abheera Mukherjee with Equirus. Please go ahead.

Abheera Mukherjee – Equirus: Hello. Thank you very much for the opportunity. My first question is regarding the beauty distribution business. Since the contracts with brands are generally for 3 years, what kind of stickiness are we seeing in our business model? We have seen many competitors, such as Nykaa and Reliance. What makes the brands remain with us and not renegotiate their contracts or seek to understand the business further?

Going forward, could we see competitive pressure during the renewal of new contracts, leading to lower margins or lower market share?

Management {? Kavindra ?}: That is a great question. If you think about it, we were not in the distribution business at all. The fact that we were able to sign contracts with very powerful groups and global brands confirms that we are doing a few things right.

While we do not want to underestimate the competition, and I am sure competition is here to stay, we believe that certain beliefs and approaches make us a very preferred partner in the country.

Contracts are generally for 3 years, some are for 5 years, and some extend beyond that. The contract is obviously a binding factor, but what is more important is being able to do a good job for the brand, as the brand sees fit, with local adaptation.

Shoppers Stop

All these brands have very strong capabilities in terms of market knowledge, expertise, exposure, marketing strength, and so on. However, what makes us different, in our view, is our ability to do many things locally, because we position ourselves as the expert in India.

With our legacy of more than 30 years in retail, consumer behaviour, and exposure to beauty, we believe we are well qualified and able to continue this robustness going forward.

Having said that, we are quite cognisant of the competitive landscape. We respect the competition because, as a distributor, we work with all these partners. Our philosophy is to remain unbiased and fair to all the partners that exist in the ecosystem.

Abheera Mukherjee – Equirus: Thank you. My second question is regarding Intune.

Operator: Ma'am, I am sorry to interrupt. Could you please use your handset? Your voice is not coming through clearly.

Abheera Mukherjee – Equirus: Regarding Intune, our losses increased by 5 crores on a quarter-on-quarter basis. Since we have completed our closures and inventory rationalisation, I wanted to understand where this incremental loss is coming from.

Second, what further store closures are we expecting in the current year? Third, are we still on track to close this year with losses of 40 to 50 crores?

Management {? Kavindra ?}: I think you are referring to Q1 versus Q2, if I understood your question correctly. That would not be the right comparison for various reasons. Every quarter is different in nature.

The right way to compare is Q2 of this year versus Q2 of last year. If you see our new ventures performance update, we actually reduced losses by 33%. I think that would be the right comparison. That is what we have done in H1.

As far as your question on store closures is concerned, we did mention that as we continue to improve our margin profile, there will be some part of the tail that we have to cut down. At the same time, when we get the right opportunities, we will open new stores as well. We are not averse to opening new stores. We have added two stores in this financial year for Intune as well.

Abheera Mukherjee – Equirus: So, on a net basis, we will be seeing store additions?

Management {? Kavindra ?}: Correct.

Abheera Mukherjee – Equirus: On a net basis?

Management {? Kavindra ?}: Correct. As of now, yes. As of now, yes. However, as we mentioned, as far as Intune is concerned, our strategy is to fix the margin profile and then ramp up.

In the process, if we get an opportunity for the right store, we will open it. At the same time, if we find that any store is losing money, we will be bold enough to shut it down as well.

Shoppers Stop

Abheera, as I mentioned, please wait for Q3, because that is when we will provide an update on this. For us, Q3 is a very important quarter. When we discuss the Q3 results, that is when we will talk about the Intune expansion plan going forward.

Abheera Mukherjee – Equirus: Understood. Coming to Q3, you have mentioned in your press release that we are seeing mid-teen festive like-for-like growth. Is that growth entirely coming from an ASP increase, or is it a mix of volume and price?

Management {? Kavindra ?}: Are you asking whether the increase is coming from price?

Abheera Mukherjee – Equirus: Is it price-led or volume-led? What would be the mix?

Management {? Kavindra ?}: It is a mixture of both. That 15% growth, or the mid-teen growth, is a mixture of both. Approximately 7% is from ASP, and the balance 8% is from volume.

What we are seeing is that we are able to sell more merchandise at a higher price.

Abheera Mukherjee – Equirus: This is for the first 2 weeks, correct?

Management {? Kavindra ?}: No. For Pujo, we have a 6-week period. As we speak, the data I am discussing with you covers 5 weeks. This is very strong data; it is not 2-week data.

The Pujo weeks run until Dussehra, or Vijayadashami. For all practical purposes, we have now completed 37–38 days, and the mid-teen growth is coming from that period.

Similarly, the Dussehra number I mentioned is also based on 4 weeks of data, and we are currently in the last 4 days. Therefore, in both cases, the mid-teen number covers a reasonable period during which the stores have been able to demonstrate their performance.

Abheera Mukherjee – Equirus: Understood. Regarding the overall departmental stores, are we seeing four new stores this year, taking the total to 12 for the year? What kind of closures are we seeing there?

Management {? Kavindra ?}: Abheera, we have opened six stores, and by September 30 we will have opened six more stores this year. We are looking at one or two store closures.

Abheera Mukherjee – Equirus: Regarding store closures, do we expect any costs to be optimised or reduced? What would be the approximate fixed-cost reduction?

Management {? Kavindra ?}: We are running a strong project either to turn around a few stores that are not performing, perhaps because the market is shifting or for some other reason, or to take appropriate action.

Otherwise, if you look at how we have managed costs quarter-on-quarter, it has been extremely disciplined. We have been quite efficient in controlling costs. In fact, our opex is practically flat.

Looking at the full-year cycle and the addition of stores, I think we have achieved very strong and disciplined cost optimisation and cost control without compromising the consumer experience.

Shoppers Stop

Abheera Mukherjee – Equirus: Understood. We are currently reading a lot of news that mall rentals have increased because there is no vacancy and supply is limited. Are you seeing a similar trend as you add four new departmental stores? Are you seeing incremental rentals compared with your average rental value?

Management {? Kavindra ?}: We are not seeing that, Abheera. First, the stores opening now would have been signed approximately 24 months ago, on average.

Second, in many locations we are the only departmental store offering that kind of merchandise mix. We are therefore the retailer of choice for the partners. It works both ways, and we are not seeing that as a problem for us.

Abheera Mukherjee – Equirus: Understood. Thank you.

Operator: Thank you. The next question comes from the line of Ashutosh Joytiraditya with ICICI Securities. Please go ahead.

Ashutosh Joytiraditya – ICICI Securities: Thank you, sir, for the opportunity. My first question is about consumer behaviour. Across your portfolio, we have the premium portfolio on the departmental store side, luxury beauty, and then the value format, Intune.

I want to understand whether you are seeing any structural shift in consumer spending. For example, an urban shopper may be moving towards experiential spending in luxury, fragrances, or luxury brands, while cutting back on the mainstream apparel portfolio. Is anything like this happening at the portfolio level?

Management {? Kavindra ?}: Thanks, Ashutosh. That is a great question. As I mentioned, including in my call commentary, the mid-teen growth we are seeing is very strong growth. The markets are strong, and demand is present and is strong. That is the starting point.

In previous quarters, this demand was directed more towards non-apparel. However, as I mentioned, what we are seeing now is that fashion is also doing very well. This is very positive for me because fashion encourages customers to return to the retail store repeatedly, in our case to Shoppers Stop.

Non-apparel, including watches and that entire segment, helps drive ASP. What we are seeing is that demand over the last several weeks, especially during the festive season, has been quite strong.

Kavindra Mishra: The season has been quite strong, and apparel is also delivering very good numbers, whether in menswear, women's western wear, or women's Indian wear.

We are seeing broad demand for premium merchandise across the entire portfolio. Even within our business, if you rank the brands in our portfolio, our premium brands are performing better than our mid-segment brands.

I cannot comment on Diwali because Diwali is just starting. If this call had taken place 10 days later, I would have been able to provide a stronger reference for the Diwali markets as well.

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

However, what we are seeing is that for both Dussehra and Pujo, demand for premium merchandise is quite strong. It is not limited to non-apparel; it is now broad-based and includes fashion and apparel.

Regarding Intune, you were asking what we are seeing there. Last year, to be fair, we had many challenges in terms of merchandise availability and operations, and we have corrected those issues now. That is why we are again seeing mid-teen growth in our Intune business, and we are seeing strength there.

Clearly, premium brands are doing very well. Premiumisation is really working.

Ashutosh Joytiraditya – ICICI Securities: I wanted to understand whether consumers are strictly cutting back on premium apparel and spending more on adjacencies such as beauty and fragrances. However, I got my answer.

Kavindra Mishra: No, absolutely not. That is what I am trying to explain. During this festive season, especially over the last 5 or 6 weeks, we have seen fashion brands also performing very well. Cash, I mean, that is really strong, yes.

Ashutosh Joytiraditya – ICICI Securities: Regarding Intune, others have already commented extensively on it, but I wanted to get your view. There has been aggressive expansion by other value retailers across geographies. What will be our differentiated strategy to keep store-level footfalls and conversion rates high? Is there any specific strategy the company is planning?

Kavindra Mishra: As a company, our CRM is a very strong strength for us. In the Shoppers Stop business, our ability to reach out to customers is a key capability. We are working extensively on market activation for Intune as well, and we are seeing some very good successes. That is the first point.

Second, our positioning is very different from that of others who are focused on young fashion. We are more of a family-led business in which kidswear plays an important role. We are a young family-oriented business and are not necessarily targeting only Gen Z, so there is a positioning difference.

This positioning difference has always existed, and the product differentiation has also existed, although the products generally are very good.

What we are able to do now, and what I believe will give us a very good Q3 and subsequent quarters, is engage with the customer, get the operations right, and bring freshness into the store. Right now, Ashutosh, this is our focus.

Regarding our competitors opening more stores, that is part of the journey. The market size is huge, and the market will continue to formalise and shift from the unorganised to the organised sector. There will be enough space for us to acquire.

However, we have had 2 quarters of strong recovery. In Q3, and as I have said now, consistent with what I maintained in the Q1 call and the Q4 call last year, give us time until the end of December to completely get the processes right. After that, we will start the journey of opening stores.

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

Ashutosh Joytiraditya – ICICI Securities: Understood, sir. One last question. I do not know whether this has already been asked. Regarding debt, you have mentioned that all debt will be cleared by Q3 FY27. We have now turned positive this quarter, so how will this repayment be made? Will it be through cash generation or through some optimisation on the working capital side?

Pankaj: A large part of the working capital optimisation has been completed, and the good practices will continue. As far as debt reduction is concerned, it will be purely on account of internal accruals and the strong EBITDA momentum that we have achieved.

Ashutosh Joytiraditya – ICICI Securities: Understood.

Pankaj: Thank you.

Ashutosh Joytiraditya – ICICI Securities: Thank you, sir.

Kavindra Mishra: Thank you.

Operator: Thank you. The next question comes from the line of Yash with YES Securities. Please go ahead.

Yash – YES Securities: Hello, am I audible, sir?

Kavindra Mishra: Yes, you are.

Yash – YES Securities: Thank you very much for the opportunity. I do not know whether this has been asked before, but I would like to understand the margins in beauty retail. How do they compare with beauty distribution and the beauty counters in departmental stores?

Kavindra Mishra: Beauty margins are relatively better than the overall margin of our departmental store business, if that is your question.

Yash – YES Securities: Yes, I am asking about the comparison between departmental stores and beauty distribution.

Kavindra Mishra: Even in beauty distribution, margins continue to be healthy. The brand portfolio is somewhat different because we import from various leading brands. We also promote them through aggressive marketing. However, at the gross margin level, margins are quite healthy, and you can see that in the overall profitability numbers of our distribution business.

Yash – YES Securities: Will we be able to sustain those margins?

Kavindra Mishra: Absolutely. All the new contracts we are entering into have either the same or higher margins. Therefore, there is no question of margins declining.

Yash – YES Securities: Thank you for the answer. My next question is about brand concentration risk in distribution. What is the contract duration with the top brands?

Management: Sorry, what was the first part of your question?

Yash – YES Securities: What are the brand concentration risks?

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

Management: Brand concentration risk. There are basically two large cohorts that we look at. One is powerful brands and the other is powerful groups.

If you look at the categories, you have makeup, skincare, fragrance, haircare, and so on. From our point of view, we look at every potential brand or group that could perform well from an Indian perspective.

The starting point was, and we continue to be, heavily focused on or playing in the luxury segment. However, there is also a strong portfolio of brands in the lifestyle segment. There is also a play in the masstige segment, but we are quite careful to select brands that offer the right commercial terms, because at the end of the day, we are also cognisant of local market players, D2C brands, and others.

That addresses the first part of the question. For the second part, as I mentioned earlier, the contract is important and sacred, but at the end of the day, it depends on how well you perform the job for the brand.

For us, it is a global perspective with a local twist and local adaptation. Having said that, brand contracts can range from 2-year to 5-year contracts, and they can extend beyond that. It is a function of how confident each partner is and how much we want to take the leap of faith for the future.

Yash – YES Securities: Thank you for your answer. My next question is regarding beauty store openings. What competitive impact do you see from competitors such as Nykaa, Tira, and Sephora?

Management: As Kavi clearly mentioned, we have a particular position that we believe gives us the right to win, and our focus is on consumer engagement and experience.

For a market like India, which is still quite small when it comes to organised retail, we have a lot of opportunity to coexist. It is for each partner to decide how aggressively they want to pursue the right to win.

We want to get the fundamentals right. We have been in this space for a long time, and we believe that we will continue to focus on this category.

Yash – YES Securities: If I am allowed to ask one more question, what is the share of the company's own D2C beauty brand currently?

Management: Sorry, can you repeat that?

Yash – YES Securities: What is the share of the company's own D2C beauty brand?

Management: It is very small, negligible as of now.

Yash – YES Securities: Thank you for the answer.

Operator: Thank you. Participants who wish to ask a question may press star and one. The next question comes from the line of Jayaprakash, an individual investor. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

Jayaprakash – Individual Investor: Good evening. Thank you for the opportunity. I have been a retail investor in Shoppers Stop for 2 years. I have only one question for Kavindra Mishra. Is there any value creation for investors? Over the last 2 years, retail investors have seen a negative return of around 60–65%. Is there any discussion at the board level about value creation for investors?

Kavindra Mishra: Thank you, Mr. Jayaprakash, for asking this question. We have also discussed this before.

As you can see, our focus is on driving business productivity and profitability. We have gone through a difficult period for various reasons, but I think we are now on the cusp of a breakout.

Please have some more patience. I had requested a certain amount of patience from you, and I thank you for that. If we have this question in the next quarter or the quarter after that, I think we will be in a better position to address your concern.

I want to assure you that from our side, whether it is the team or the business, we are seeing some standout performances. You will be pleasantly surprised by the way things develop, because I think there has been a distinct shift.

The fact that we have been able to grow our business and profitability over the previous year represents a remarkable turnaround, and you will see the same journey continue going forward.

Thank you for your trust, and hopefully we will repay it handsomely. Thank you.

Operator: Thank you. Our next question comes from the line of Deepali Mantri with Arihant Capital Markets Limited. Please go ahead.

Deepali Mantri – Arihant Capital Markets: Good evening. Thank you for the opportunity, sir. Other income has risen sharply this quarter and appears to be the main reason PAT turned positive. Could you break down how much of it is one-off versus recurring? There have been one-off gains in most recent quarters. What would PAT be if we excluded these items, and when do you expect core operations to become profitable on their own?

Pankaj: This is Pankaj. Let me clarify that there are no one-offs. The results you have seen are purely operational.

Deepali Mantri – Arihant Capital Markets: Understood.

Pankaj: Thank you.

Deepali Mantri – Arihant Capital Markets: What is the aged inventory in days, such as inventory over 180 days, and what is the markdown provision?

Pankaj: Let me clarify again that ageing information for our inventory is too sensitive to disclose. What I can tell you is that the inventory profile has improved significantly compared with the earlier ageing profiles.

The amount of liquidation we have undertaken of aged inventory has also been substantial. You can also see the extent of working capital improvement in our cash flow statement. It is on a

Report is AI-generated and may contain inaccuracies.

Shoppers Stop

significantly improving trend. That is what I can tell you.

Deepali Mantri – Arihant Capital Markets: What is the distribution between stores and e-commerce, and how much of the online sales are omnichannel, such as pick-from-store?

Kavindra Mishra: For us, the e-commerce mix is around 3% to 4%, depending on the categories. Is that the question you are asking, Deepali?

Deepali Mantri – Arihant Capital Markets: Yes. From e-commerce, how much comes from direct sales?

Kavindra Mishra: Around 4% is our e-commerce business.

Deepali Mantri – Arihant Capital Markets: Understood. What is the contribution of private labels beyond apparel, and what is the roadmap for that?

Kavindra Mishra: Our private label businesses, or what we call Shoppers Stop brands, are primarily based in fashion. We do have a very small mix of beauty brands, as I mentioned earlier, but I think that is negligible.

Therefore, whatever you see in private brands, 99% is fashion. I also discussed the profitability that these brands are driving for us as an organisation.

Deepali Mantri – Arihant Capital Markets: One more question: what is the customer acquisition cost on the digital channel, if you can provide some indication?

Management: For us, the beauty of Shoppers Stop is that we try to use and drive business through our First Citizen database.

Unlike many other retailers or e-commerce players that need to bid through performance marketing and spend significantly to acquire new customers, our focus is on using our First Citizen database.

While that information is too sensitive to disclose, I am trying to explain that our focus is more on driving omnichannel behaviour through the First Citizen customer.

Deepali Mantri – Arihant Capital Markets: Understood, sir. Thank you very much.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. With that, we conclude today's conference call. On behalf of Shoppers Stop Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Management: Thank you.

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.

Report is AI-generated and may contain inaccuracies.