

Stanley Lifestyles

14 August 2026

Operator: Ladies and gentlemen, good day and welcome to the Stanley Lifestyles Ltd. Q1 FY27 Earnings Conference Call, hosted by Arihant Capital Markets Limited. 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 this conference, 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 Markets Limited. Thank you, and over to you, ma'am.

Deepali Kumari: Thank you. Hello and good afternoon to everyone. On behalf of Arihant Capital Markets Limited, I thank you all for joining the Q1 FY27 Earnings Conference Call of Stanley Lifestyles Ltd. Today, from management, we have Mr. Sunil Suresh, Chairman and Founder; Ms. Subha Sunil, Whole-time Director; Mr. Venkatraman Shesagiri Rao Korthi, Managing Director; and Mr. Sudhir Iyer, Group CFO. Without any further delay, I will hand over the call to management for their opening remarks. Over to you, sir.

Sunil Suresh – Chairman & Founder: Good afternoon, everyone, and thank you for joining us for Stanley Lifestyles Ltd.'s Q1 FY27 earnings call. As we begin the new financial year, I would like to share some important updates on our business and the developments we have undertaken during and after the quarter.

Sunil Suresh – Chairman & Founder: Store expansion and network rationalization: I would like to begin with the developments across our store network. At the retail level, our focus remained on expanding our presence in the right markets while also reviewing the financial prospects of our existing network. During the quarter, we opened three new stores, all in Bangalore. Two stores were opened in Varthur, and one store was opened on Mysore Road. At the same time, we assessed the relevance of each location and relocated resources strategically. The residential development cycles in certain catchments had largely matured, so we closed four stores: three in Bangalore and one in Mumbai. Our approach is not only about adding stores; it is about having the right stores in the right markets and ensuring that the network remains productive as the surrounding markets evolve. This selective approach also positions us in areas with higher customer acquisition potential.

Beyond managing current operations, we are executing a deliberate growth strategy. We entered our first international market in July, opening Stanley Boutique in Colombo, Sri Lanka. This was achieved through a strategic joint venture with Singer Sri Lanka PLC, one of the country's leading retail companies. The partnership provides access to local market knowledge and a platform to deepen our understanding of customer preferences as we establish our international presence. We have also expanded our presence in India with the opening of our new Sofas & More by Stanley store in Jaipur. This marks our entry into Rajasthan. Jaipur has developed into an important market for premium housing and lifestyle products, and the new store brings our furniture portfolio closer to customers in the region.

Looking beyond our existing formats, we are also preparing to introduce Stanley Superlative Living in the mature market, where there will be one large Stanley store. This will be positioned at the high end of the luxury segment and developed in line with global luxury retail standards. The format is

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intended to bring complete home solutions together under one roof, with a focus on design, product presentation, and customer experience. We believe this format can further strengthen Stanley's positioning in the luxury home segment and support our longer-term ambition of building a global footprint. With that, I would now like to hand over the call to our Managing Director, who will take you through the financial performance and some of the other key initiatives during the quarter. Thank you.

Venkatraman Shesagiri Rao Korthi – MD: Thank you, Sunil. Let me begin with the financial performance and business environment during the quarter. Revenue from operations was 9,935 lakhs, down from 10,861 lakhs in Q1 FY26. Two major factors impacted the decline in revenue. The first was our B2B business, which faced challenges because of the Middle East war and was disrupted due to freight movement issues. While we have a healthy order book, the products have been produced and are with us, but logistics is the challenge we are facing as of now. Second, our retail business operated in a short-term challenging environment. Stanley's customers are primarily new home buyers in the premium and luxury residential segments, representing 80% to 85% of our base. Residential project handovers have been delayed by 12 to 18 months in several cases. Supply chain disruptions in West Asia have also constrained the availability of construction materials. As a result, while customer inquiries and store footfall remain encouraging, conversions are slower as customers await possession of their homes.

Despite the lower revenue, we maintained our gross margin during the quarter. This was supported by the restructuring initiatives undertaken by the company, as well as our continued localization efforts. This disciplined approach resulted in EBITDA of 1,722 lakhs, with a margin of 17.3%. PAT was 65 lakhs.

I would also like to discuss an important initiative for us, which is the proposed amalgamation of our subsidiaries and step-down subsidiaries into Stanley Lifestyles Ltd. The objective of the amalgamation is to create a simpler and more integrated corporate structure. This will reduce the number of legal entities within the group and make management, governance, and reporting more efficient. At the same time, a unified structure will allow us to deploy our cash, manpower, assets, and other resources more efficiently across the businesses. More importantly, we believe this will create a stronger platform for future growth. It will provide greater flexibility for future expansion, fundraising, mergers and acquisitions, and business integration, while also improving accountability and decision-making across the organization. We appreciate the support of our shareholders and remain committed to completing the proposed amalgamation.

Furthermore, as we continue to strengthen the organization and build the right leadership team for the next phase of growth, we welcome Mr. Sudhir Iyer as our new Group Chief Financial Officer. Mr. Sudhir is a Chartered Accountant with over 20 years of experience across corporate finance, M&A, IPOs, and corporate governance. We are confident that his experience and expertise will support Stanley Lifestyles Ltd. in its growth journey.

Looking ahead, our priorities are clear. We will focus on improving customer conversions as residential project handovers progress. We will expand selectively into relevant markets, accelerate localization, and develop our complete home solutions portfolio. We believe the work being undertaken today will strengthen the foundation of the business and position Stanley Lifestyles Ltd.

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well for future growth. This concludes our remarks. We can now open the floor for questions and answers. Thank you.

Operator: Thank you. 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 handsets while asking a question. Ladies and gentlemen, we will now wait for a moment while the question queue assembles. Our first question comes from the line of Saket Kapoor with Kapoor Company. Please go ahead.

Saket Kapoor – Kapoor Company: Hello, team, and thank you for the opportunity. I hope I am audible.

Sunil Suresh – Chairman & Founder: Yes, you are.

Saket Kapoor – Kapoor Company: First, if you could also explain the depreciation rate and the depreciation amount. I think it is in the higher range of {? 15 15 crore ?} on a quarterly basis. What kind of assets are depreciated? I think annual depreciation is {? above 50 crore ?}. So, firstly, on this point, and secondly, how do you see the year progressing in terms of the volatility that we are seeing in the geopolitical setup? Going ahead, how will the factors that have contributed to the decline in Q1 revenue be addressed or mitigated?

Sunil Suresh – Chairman & Founder: The first question about depreciation will be answered by our CFO.

Sudhir Iyer – Group CFO: Saket, good afternoon.

Saket Kapoor – Kapoor Company: Good afternoon, and welcome to the team, sir.

Sudhir Iyer – Group CFO: The depreciation is basically because of the Ind-AS impact. I will give you the clear bifurcation. This depreciation is because of the Ind-AS impact.

Saket Kapoor – Kapoor Company: That is a very significant amount. I only wanted to understand the nature of our assets that leads to a 15 crore quarterly depreciation. That was my point.

Sudhir Iyer – Group CFO: Exactly. If you look at I-GAAP, the depreciation will be lower. Because of Ind-AS, what we do is allocate the entire spend across the full number of years, so more of the load is applied to that quarter. It is front-loaded. In a nutshell, it is purely because of the Ind-AS impact, and not because of I-GAAP.

Saket Kapoor – Kapoor Company: Now, on the growth prospects going ahead, could you also throw some light on the utilization levels, as we are looking to restructure operations and realize the synergies that will happen after the merger of the subsidiaries, which you just mentioned? What kind of EBITDA margin trajectory can be anticipated, and how are our utilization levels currently shaping up? Going ahead, how will they trend?

Sunil Suresh – Chairman & Founder: Let me begin by saying that the main task we set out as promoters over the last year, in terms of making the most important senior leadership change, is

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already in place, and we are very satisfied with the way it has taken shape...

Management: That was the most important task for us.

Secondly, as far as the business is concerned, we are very clear that the architecture of our B2C business is being redone. We are going through a complete change. We had three brands, and those are now going to be folded in. Going forward, there will only be one Sofas & More brand and one Stanley brand. This is the brand architecture change we are undertaking after 8 to 9 years because we believe this approach will be more conducive.

Stanley is going to become a complete home solutions provider. We are moving from being a furniture company to being a complete home solutions provider, whereas Sofas & More will play the role that Stanley played in the past. It will be a furniture retail concept. This architecture change is also underway, and we hope it will be completed in about 3 to 4 quarters from now. It is a gradual process.

We also made certain changes. We relocated some stores; technically, we did not close some of them but relocated them. As the market matures and the catchment fills up, unlike a grocery store, furniture is a more need-based business. Therefore, we now need to relocate some stores and move to new catchments where new residential buildings are coming up. That is what has happened.

Thirdly, in our B2B business, we actually have the highest-ever visibility of opportunity, but unfortunately, due to the Middle East situation, we were unable to bill. We produced the products, but we were not able to invoice them in Q1 because of shipment issues and logistics problems. We hope this will be cleared. We expect that once logistics start moving, we should definitely have much better quarters ahead.

Saket Kapoor – Kapoor Company: Can you give us some color on how our EBITDA margin will shape up and what the utilization level is? What are our current utilization levels at the factory?

Management: Are you referring to manufacturing capacity?

Saket Kapoor – Kapoor Company: Yes, definitely, manufacturing capacity, and the amount of inventory that we are currently holding.

Management: There are two things. First, our manufacturing capacity is currently at about 68% to 70%. Secondly, in terms of inventory, August is usually when Europe closes, so we have to forward-load. Therefore, we have slightly higher inventory at present because our season starts in September and Europe usually closes in August. Normally, our inventory increases slightly in the first quarter. That is the normal pattern for us historically.

Saket Kapoor – Kapoor Company: Lastly, since we are a home solutions company and are looking to provide the service component as well, the maintenance component also plays a major role because of the value of the sofas and furniture. Do we have any forward integration in terms of services, where we provide customers with service after the product guarantee or warranty expires? How do things shape up, and what steps do we have for addressing service issues arising from wear and tear of the surfaces over time?

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Management: This is a very good and valuable question because we cater to the premium or luxury end of the market, where word of mouth is extremely important for us. Until now, we have been extremely careful. We have never tried to show growth by doing anything wrong, and we have been very careful in handling our customers. We have almost a 98% customer satisfaction rate, and that is an ongoing focus.

We are now enhancing both our products and services by introducing new training programs into our retail chains. These are the changes we are making. It is a very important question, and you are absolutely right: as the country progresses and premiumization begins, people want premium and luxury products. At the same time, we should be able to provide not only customized products but also services.

It is an ongoing process. We are now taking the playbooks more seriously than we did in the past, and we are articulating that in our retail stores.

Saket Kapoor – Kapoor Company: Lastly, is the other income component mainly attributable to the treasury cash we have on the books?

Management: Yes, you are right. This is the interest earned on the treasury we have.

Saket Kapoor – Kapoor Company: Thank you, and all the best to the team. I will join the queue again.

Management: Thank you very much. Thank you, {? Saket ?}. Thank you.

Operator: Thank you. To ask a question, ladies and gentlemen, you may press star and one. Our next question comes from the line of Ashish with AK Investments. Please go ahead.

Ashish – AK Investments: Am I audible?

Management: Yes, you are.

Ashish – AK Investments: Thank you for taking my question. Most retail businesses are reporting pre-Ind AS margins, right? We are not reporting them. As feedback, can we start reporting them? From an analyst's point of view, it is important to analyze the pre-Ind AS margin.

Management: Let me correct that. We should report Ind-AS numbers only, but for clarity, we can tell you offline what I-GAAP looks like. For the financials and for publication, I want to report Ind-AS numbers only.

Ashish – AK Investments: We can separately mention the pre-Ind AS EBITDA margin as well.

Management: Yes.

Ashish – AK Investments: I also want to understand our pre-Ind AS store-level operating margins in each format, if you can provide them.

Management: For each store?

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Ashish – AK Investments: Each format.

Management: For each store format. Just a minute. If I average it out, our pre-Ind AS gross margin would be around 56% to 60%.

Ashish – AK Investments: Are you giving me gross margin or EBITDA margin?

Management: Gross margin is 56% to 60%, and the EBITDA margin you asked for is hovering around 11% to 13%. The gross margin is 56% to 60%, and the EBITDA margin is currently between 11% and 13%.

Ashish – AK Investments: This is consolidated, with all three formats put together, correct?

Management: Yes, all three formats put together.

Ashish – AK Investments: How much is our corporate cost?

Management: Corporate cost is roughly 90 lakhs per month. As a percentage of revenue, it is... 90 lakhs is 1% of revenue... 2.5% of revenue. Four twenty divided by 90 lakhs... 11 crores. It is about 2.25% of our total revenues annually, but right now it is about 90 lakhs per month.

Ashish – AK Investments: Is there any opportunity to reduce corporate costs? As we scale up and add more stores, is there an opportunity to reduce corporate costs?

Management: No. In fact, we are now going to incur somewhat higher additional corporate expenses because the store formats are changing and there are early-stage stores. We need the right set of people, and that is exactly what we have done over the last 1 to 1.5 years: identifying and hiring better-qualified people at all levels. Therefore, corporate expenses will probably remain around the same level as we grow.

Ashish – AK Investments: Can you give me the average revenue for a mature store in each format?

Management: Are you asking for mature-store average revenue per square foot?

Ashish – AK Investments: No, per store.

Management: Per store is difficult to say because our Sofas & More stores average around 4.5 to 5 crores per store. Our Stanley Boutiques, which are now going to be merged into Sofas & More, also average about 5 to 6 crores per year, or 40 to 50 lakhs per month. Stanley Level Next is hovering around 12 to 14 crores a year.

They are all different-sized formats, so it is somewhat tricky for me to provide a single number. On average, our Sofas & More stores generate around 5 crores per annum, with a range of 5 to 6 crores. Stanley Boutique generates a similar figure, around 4 to 5 crores. Stanley Level Next generates about 10 crores and above. Some stores are generating up to 20 crores.

Ashish – AK Investments: How do we classify a mature store? Is it 24 months or more?

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Management: It depends on the location and the catchment area. Maturity can begin at about 18 to 20 or 22 months, while in some cases it extends to almost 38 to 40 months. On average, you can say that 36 months is a very good period for us to reach what we call ROI, or return on investment, and maturity.

Ashish – AK Investments: In your initial remarks, you mentioned that we closed certain mature stores. At what stage do we decide to close or relocate a store?

Management: In Bangalore, we closed four stores, of which two have already been relocated. We have also relocated and opened the other stores. We moved further down on the same street or highway because the catchment area had shifted.

One of the stores had to be closed because when we took the store on Commercial Street, we were given significant parking space in front. Subsequently, the local body changed the rules, made the road one-way, and removed the parking entirely. Our footfall declined drastically, so we had to change that location.

This is an industry problem or a retail hazard because many times, when we enter certain areas, a metro line or some other development suddenly comes up, and we do not have visibility of it before taking the building. We are now trying to put many more checks and measures in place. We try to approach the BBMP or the BDA and understand whether these roads are likely to face any problems. We are also learning to expand in a more careful manner going forward.

Ashish – AK Investments: When we relocate a store, is it as good as a new store?

Management: In one case, the Mysore Road store that we opened is about 6 months old—no, 3 to 4 months old—in terms of space. In terms of business, I can give you an example: our Mysore Road store was relocated, and its business is almost 2.5 times higher than that of the previous store.

Ashish – AK Investments: Can you give me the rent expense for this quarter?

Management: Rent expense for the whole quarter at the consolidated level is {? ten crores ?} in absolute value. {? ten crores ?}. That is 10% of revenue.

Ashish – AK Investments: Lastly, can you give me the capex per store? How much does it take to open a new store in each format?

Management: As I mentioned, we are going through brand architecture changes. In the last couple of earnings calls, some investors also suggested that there was some confusion in the market because Stanley had 2 to 3 different positions.

That architecture change has just started. In certain megacities where we have acquired our franchises, we are opening one large-format Stanley store and will have only smaller-format Sofas & More stores. As of now, the capex for Sofas & More is roughly 2 crores per store, and the average size we are looking for is 5,000 to 6,000 square feet.

For the larger one-city, one-store format, the capex can go up to 20 to 25 crores. That is the kind of capex we will incur for the larger stores, and there will be one such store per city. We have

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already started work on the one in Hyderabad, which we hope to open in the next few weeks. We are also doing the same thing in Bombay, where we are consolidating and opening one large-format store, and then in Bangalore and Delhi.

These are four cities where we have been present for more than 15 to 20 years, and we have decided to go with one city, one megastore for Stanley.

Management: Smaller Sofas & More stores in the same city will be standalone, value-premium offerings. Stanley will be positioned as the luxury offering.

Ashish – AK Investments: I understand. Thank you for answering my questions, and I wish you good luck.

Management: Thank you very much. Thank you.

Operator: Thank you. Participants who wish to ask a question may press star then one. Our next question comes from the line of Nishant Sahu with Green Portfolio. Please go ahead.

Nishant Sahu – Green Portfolio: Good evening, sir. Thank you for this opportunity. Am I audible?

Management: Good evening. Yes.

Nishant Sahu – Green Portfolio: I read your annual reports and other offerings. Exports are not disclosed separately anywhere. What was the export revenue in FY23 and Q1 FY27? Is this a business you intend to scale?

Management: We do not yet have a significant percentage of exports. The domestic market is dominant.

Nishant Sahu – Green Portfolio: Are you catering only to the domestic market?

Management: As mentioned earlier, we have just started with our first opportunity in Sri Lanka. Exports are something we are going to focus on going forward, but as of now, we are mostly manufacturers and retailers in India.

Nishant Sahu – Green Portfolio: What are the growth and margin drivers from here, given the growth from mature stores? What growth do you expect in revenue and margins from the current Q1 level?

Management: Our focus is to ensure that we are not merely growing the company from a quarter-to-quarter perspective. We are building this brand and company for the next decade. We are therefore very focused on making the necessary plumbing changes. Those plumbing changes are now completely underway, and we are very happy with the way they are taking shape.

We aspire to be an Indian luxury brand, and we will ensure that our profits are also in the premium range of the market. That is exactly where we are at this point in time.

Nishant Sahu – Green Portfolio: One more question. Could you shed some light on the filing regarding the misappropriation of funds by the company secretary? Could you explain that

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statement?

Management: Are you referring to the governance issue?

Nishant Sahu – Green Portfolio: The company secretary who resigned, and the other company secretary-related matter.

Management: I will brief you on this. While conducting the Q1 audit of the internal controls, we found that fraudulent activities had been carried out by the company secretary. The investigation is ongoing, and we will inform the public shortly after completing the full review.

Nishant Sahu – Green Portfolio: Were there findings of misappropriation of funds?

Management: You are right.

Nishant Sahu – Green Portfolio: Thank you, sir.

Management: Thank you, Nishant.

Operator: Thank you. The next question comes from the line of Arvind Arora with Arnam Capital. Please go ahead.

Arvind Arora – Arnam Capital: Hello, and thank you for the opportunity. First of all, welcome to Jaipur. I am more interested in the segment you have just announced, Stanley Superlative Living. Could you provide some details? Are we planning to open a new store for this, or will we serve it through Stanley Level Next? What would be the price point, what is our go-to-market strategy, and do we have any directional target in this segment?

Management: In certain key markets, I want you to understand that after our IPO, we diligently acquired our franchisees in multiple cities. These include Hyderabad, Mumbai, Pune, Delhi, and Chennai. These six cities, where we have a COCO presence, contribute almost 80% of India's luxury housing. That was the first thing we did after the IPO: we strategically acquired these markets.

We are very familiar with these markets because we have been present in some of them for more than 10, 15, or 20 years. We understand the housing boom that is taking place and the number of units that will require furnishing. Based on this data, we decided that we wanted a new brand architecture.

Stanley Superlative is a larger-format store where we will close some of the smaller Stanley stores and establish the new format in the right location, where there is already a furniture-oriented high street. For example, in Hyderabad, we have opened the store on Jubilee Hills Road Number 45. There are almost 30 to 40 furniture stores there, and one of India's largest furniture stores is also located opposite us.

We have opened a new store there. This store will be positioned for the premium to luxury housing segment, where we will provide design solutions for complete home solutions. It is not merely a retail outlet; we will take on the entire home project. Therefore, our average ticket size can increase almost 10-fold from where it is today. That is the target, and that is the store we are going to open. We are hopefully 2 to 3 weeks away from opening it.

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Arvind Arora – Arnam Capital: My understanding is that Stanley Superlative Living will be an ultra-luxury offering. Is that correct?

Management: You can call it a premium-to-luxury offering. It will not be ultra-luxury; it will be premium to luxury. Luxury can extend into multiple levels, including ultra-luxury and uber-luxury, but this is clearly a store meant for anyone with a budget of 3 to 5 crores and above, and not for homes below 2 crores. That is the kind of budget we are targeting.

Arvind Arora – Arnam Capital: Will the product development and delivery be handled in-house? This is not only a service arrangement in this category, correct?

Management: Could you repeat the question?

Arvind Arora – Arnam Capital: You said we will design. Are you saying we will only design, or will we also deliver the product?

Management: No, we will design, build, and deliver. We are the only company that is fully integrated today. While there are multiple players in the market that outsource the work, we are able to provide a complete solution: design, build, and installation, along with a warranty on the product and a warranty on the installation.

Arvind Arora – Arnam Capital: We have more than 1,000 skilled artisans at present. What is their utilization level?

Management: Currently, utilization of our manufacturing facility is about 70%, or 68% to 70%. We can easily increase our revenues to 2 times the current level in the coming quarters by recalibrating our factory and adding a few machines, if required. However, we are comfortable with the capacity we have for the next 2 to 3 years of growth.

Arvind Arora – Arnam Capital: My question is not about the factory. We have more than 1,000 artisans. Are they all fully utilized, or are some of them on the bench?

Management: Our artisans are fully utilized. We are always upscaling and upskilling them. We are also constantly looking for younger artisans to train and bring into our fold. We are always looking for good skills among artisans because, in the luxury business, you cannot mass-manufacture. We have to custom-make bespoke products, and therefore we need these artisans.

Arvind Arora – Arnam Capital: What was our order book as of June 30, 2026?

Management: 68 crores.

Arvind Arora – Arnam Capital: The presentation mentioned 62 crores as of March 26, and it is 68 crores now, correct?

Management: 68 crores, yes.

Arvind Arora – Arnam Capital: Thank you, sir, and all the best.

Management: Thank you.

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Operator: Thank you. Participants may press star and one to ask a question. Our next question comes from the line of Siddharth with ICART. Please go ahead.

Siddharth – ICART: What would be the same-store sales growth of mature stores?

Management: We are doing what I call a product mix change. We have now expanded our manufacturing facility, which is capable of producing furniture for every room of the house. If you go back 5 years, we were only an upholstery brand and were known only for sofas.

Today, if you visit our manufacturing facility, which we always welcome you to do, you will realize that we have specialized and set up our manufacturing facility to cater to all the different kinds of products that a normal home requires. Now that the facility is ready, we are changing our stores accordingly. We are introducing kitchens, wardrobes, tables, and many other products.

Therefore, we believe our same-store growth should increase exponentially as we move forward. However, we are currently in transition. If a mature store grows by about 15% to 20% year-on-year, we should be very happy, and that is what we are targeting.

Siddharth – ICART: Hello?

Management: Siddharth, does that answer your question?

Siddharth – ICART: What kind of same-store sales growth number should mature stores achieve?

Management: Mature stores should achieve about 15% to 20% year-on-year growth. That is what we are projecting in Q1. In Q1, we made multiple changes, and we are projecting about 15% to 20% growth. Q1 is currently slightly negative because we are also changing the store models.

Siddharth – ICART: If I understand correctly, Stanley Superlative Living is essentially a combination of Boutique and Level Next into one large-format, full-home store.

Management: Yes, you are absolutely right. It is one large-format store and is entirely focused on Stanley. Sofas & More by Stanley is being discontinued, and Sofas & More will become a value-premium brand. Superlative will cater to both the Stanley Boutique home segment and the Stanley Level Next segment. You are right.

Siddharth – ICART: Going forward, will you no longer open stores under the Stanley Boutique or Level Next names?

Management: In the six major metros, we do not have any plans to do so. Depending on the size of other markets, we will remain flexible. However, in the six major metros, the idea is to bring everything under one roof so that the Stanley brand has one store per city. These will be large-format stores, and there is no point in diluting the brand any further.

Wherever the markets are mature and furniture high streets have already formed, we want to open one large store and conduct our business from that store. We will expand Sofas & More depending on the geography of the city or cluster, including the different cities and towns we are considering.

Siddharth – ICART: In this format, will you also provide interior design services for luxury homes?

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Management: Yes, absolutely. This will not be a furniture store format; it will be a complete design-build format. We will provide interior design, but we will focus primarily on the products we supply. We will not undertake construction work as such. It will basically include fixed furniture, loose furniture, some wall coverings, furnishings, and soft furnishings. It will be primarily interior decoration.

Siddharth – ICART: Thank you. That is all.

Management: Thank you very much.

Operator: Thank you. Participants who wish to ask questions may press star and one on the touchtone telephones. Our next question comes from the line of Amanjit Borya with Samaya Advisors LLP. Please go ahead.

Amanjit Borya – Samaya Advisors LLP: Good afternoon. I have one question. You explained in the previous question that going forward we will merge Stanley Level Next and Stanley Boutique into one store for each of the six metros. When I look at your presentation, for example, Pune has one Level Next and two Boutiques, and Mumbai also has one Level Next and two Boutiques. Will these three stores become one store, meaning that we will shut down two stores in these metros? I am confused about how this will work.

Management: That is a very good question. Some of the Stanley Boutiques will be downshifted to become Sofas & More stores. We will not shut them because they are already good, business-generating stores. We will convert them into Sofas & More as a pushed-down brand.

Whichever city provides us with the right location and the right building, we will move into a single format. Otherwise, we are not going to change something that is already working. It is a gradual process. It is not going to happen overnight and will take at least 2 to 3 years to execute.

For stores that are performing well, we will simply change the signage to Sofas & More instead of confusing the market with 2 to 3 different Stanley formats. That is what we have done in Hyderabad. Hyderabad is our first proof of concept, and we have started there. Hopefully, we will do the same thing in Bangalore next year, followed by Bombay and Delhi. The Stanley Boutique stores will be converted into Sofas & More stores. I hope I have been able to explain this to you.

Amanjit Borya – Samaya Advisors LLP: This was helpful. One follow-up: if we look at geographies such as NCR or Mumbai, which are wide in terms of presence, and Bangalore as well, given the breadth of these metros, do we envisage just one Stanley store for each of these metros, even over the medium term over the next 4 to 5 years? Or will we start expanding again to provide a presence across these cities?

Management: It depends on the location. If we get the right location and the right building in a mature market with the right furniture high street, we prefer to have one store because control is much better.

Furniture is a once-in-10-year type of purchase. People will normally go to a market and select from multiple brands there. Therefore, we do not necessarily have to think like a fashion brand or like any other daily-consumption brand. This is the strategy we are using, and it will definitely help us

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Stanley Lifestyles

control things much better.

If the market is large, we will add 2 stores. For example, Delhi can easily take 2 stores, Mumbai can take 2 stores, and Bangalore can also take 2 stores. We are strategizing accordingly. Wherever there is a market and prominent premium and luxury furniture brands have established themselves in a particular area, we will go there and open a large-format store.

It depends on the city. We are open to different possibilities. However, the Stanley Boutiques that remain will be consolidated once we open a large Superlative store, and those Stanley Boutiques will become Sofas & More stores.

Amanjit Borya – Samaya Advisors LLP: One last question. A couple of calls ago, you explained that sometimes a location loses relevance because it becomes a mature market and the store no longer generates the same throughput because development in that area is complete. That seems contradictory to what you explained about furniture being a once-in-10-year purchase and people being willing to travel wherever our brand is. Could you conceptually help me understand why that would not apply in the new format as well, where we open in one location and expect everyone to come there irrespective of the development in that location?

Management: Let me explain this in a way that will make the distinction clear. Sofas & More customers are, by and large, direct customers. Almost 95% of the customers who walk into our stores and buy furniture are direct customers. They do not need designers or specifiers. They come in, buy the furniture they want, and take it to their apartments or homes. Therefore, this is not a designer-driven or architect-driven purchase.

Stanley, on the other hand, is a more premium and luxury offering. Many times, we have specifiers and high-end customers asking us to provide design solutions. This is the difference between Stanley and Sofas & More.

Sofas & More can continue to be available in the right catchment area where development and occupancy are taking place. Once that catchment is filled, we may need to shift it to the next nearest area where development and occupancy are taking place, or to the next nearest developing cluster.

For Stanley, what happens is that in a mature market such as New York or other major cities like Milan, New York, or Frankfurt, there is something known as a design district. These design districts house all the top luxury furniture brands.

This is gradually happening in India. For example, as I mentioned, Road Number 45 in Jubilee Hills, Hyderabad, is already becoming a design district. Mehrauli–Gurgaon Road in Delhi is becoming a design district. In Mumbai, we have Bhiwandi, but Bhiwandi is not a design district; it is a wholesale market.

The country is developing in a slightly different manner. Since we have been present in these markets for more than 25 years, we understand where to be and which format to use. I would say that almost 95% of the time, we have had a good success rate.

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Of course, there are certain cases where, after opening a store, we face problems such as a metro line coming up or some kind of road expansion. These are hazards that we have to live with, but that is the reality and that is how we want to move forward.

Amanjit Borya – Samaya Advisors LLP: This was very helpful. I have one more question. Can I ask it, or should I come back into the queue?

Management: You can go ahead and ask it since you are already here.

Amanjit Borya – Samaya Advisors LLP: On the B2B side, I was curious because we have strong manufacturing capabilities and exporting from India is an opportunity. Is the opportunity in our category unattractive because we cannot earn sufficient margins, which is why we are holding back, or is there some other reason? I thought this could be a significant opportunity for us to leverage our infrastructure in India. That was my last question.

Management: We are also extremely excited about that. Until the tariffs were imposed by the United States, we were already in deep discussions with quite a few large buyers from the United States. We hope that the situation will cool off, and we still believe that, as exporters to some of the best brands in the world, we are capable of doing it. In fact, we supply to the leaders in these categories, and we are very capable of serving them.

Unfortunately, the tariffs are not helping us in the United States right now. That is the biggest market, and we believe the situation will turn around at some point because companies there are also looking at what we call a China-plus-one or China-plus-two strategy. We are still keeping our fingers crossed as far as export opportunities are concerned.

Nevertheless, we are more excited because BIS is coming into effect from today itself. Today is a very special day for us. BIS came into effect on 14 February. The six-month gazette period extends it until 14 August. I think today is the last date; from tomorrow, people will not be able to import anything without BIS certification. We believe all of this is going to help us going forward.

Amanjit Borya – Samaya Advisors LLP: Thank you so much.

Operator: Thank you. To ask a question, ladies and gentlemen, you may press star and one. Our next question comes from the line of Nishant Sahu with Green Portfolio. Please go ahead.

Nishant Sahu – Green Portfolio: Of your 47 COCO stores, how many are EBITDA-positive at the store level, after cash rent? You have 47 COCO stores, correct?

Management: If you remove Commercial Street, I think most of them are—

Nishant Sahu – Green Portfolio: Most of them are EBITDA-positive at the store level?

Management: One moment. Let me confirm. 35 stores are EBITDA-positive. Some of them are brand new, so 1 or 2 stores that we have opened are not EBITDA-positive. However, out of the 42 stores, 35 were EBITDA-positive.

Nishant Sahu – Green Portfolio: What about FOFO stores?

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Management: We do not have to worry about FOFO stores because we operate on a cash-and-carry model. We sell everything to them, and they manage their own business.

Nishant Sahu – Green Portfolio: At their end?

Management: Yes, at their end. We simply sell them the goods. We are a cash-and-carry company. We do not provide credit or anything of that nature to our franchisees. We do not charge them anything.

Nishant Sahu – Green Portfolio: How much time does it take for a store to become EBITDA-positive? Is it 5 months, 6 months, 12 months, or 1.5 years after opening?

Management: A store should become EBITDA-positive between 6 months and 12 months. Our ROI should be achieved between 24 and 36 months. When I say ROI, I mean return on investment after calculating interest.

Nishant Sahu – Green Portfolio: Is the ROI 24% to 30%?

Management: 24% to 30%.

Nishant Sahu – Green Portfolio: Does that mean your capital would be paid back in 3 years?

Management: Correct, including capital and interest.

Nishant Sahu – Green Portfolio: Understood. Thank you, sir.

Management: Thank you.

Operator: Thank you. Participants who wish to ask questions may press star and one at this time.

Ladies and gentlemen, we will take that question as our last one for today. I would now like to hand the conference over to management for closing comments. Over to you, gentlemen.

Management: To summarize, as we mentioned, we still see good market pull with respect to demand. There are, of course, challenges relating to the West Asia crisis, but our focus is on improving customer conversions and working on cost management and efficiencies.

We believe that we are getting ready to resume the growth path we are working toward when the West Asia crisis passes. That is the confidence we have in what we are doing today. That is all from our side. Thank you.

Operator: Thank you. On behalf of Arihant Capital Markets Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

Management: Thank you. Thank you.

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