Cantabil Retail Ind

Operator: Ladies and gentlemen, good day and welcome to Cantabil Retail India Ltd. Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Before we begin, a brief disclaimer: the presentation that Cantabil Retail India Ltd. has uploaded on the stock exchange and its website, including the discussion during this call, contains or may contain certain forward-looking statements concerning Cantabil Retail India Ltd.'s business prospects and profitability, which are subject to several risks and uncertainties, and the actual results could materially differ from those in such forward-looking statements. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Mr. Vijay Bansal, CMD of Cantabil Retail India Ltd. Thank you, and over to you, sir.

Vijay Bansal – CMD: Good evening, everyone. On behalf of Cantabil Retail India Ltd., I extend a warm welcome to all participants joining us for the Q2 and H1 FY27 earnings conference call. Joining me today are Mr. Deepak Bansal, Whole-time Director, Mr. Basant Goyal, Whole-time Director, Mr. Shivendra Nigam, Chief Financial Officer, Ms. Poonam Chahal, Company Secretary, and our investor relations advisor from Maxim Capital.

We trust you have had the opportunity to review our Q2 and H1 FY27 results. The earnings presentation and financial statements have been uploaded on the stock exchanges as well as on the company's website. We have entered FY27 with strong momentum, delivering a robust first-half performance that underscores the resilience of our business model and our continued focus on sustainable, profitable growth. Despite the shift in the festive-season calendar, which impacted the timing of demand during the first half, we delivered healthy revenue growth while maintaining strong profitability.

Our H1 FY27 performance was driven by disciplined execution, prudent cost management, efficient sourcing practices, and the continued strength of our value proposition across markets. These efforts enabled us to navigate a dynamic operating environment while continuing to enhance operating efficiencies. Our long-term track record reflects the strength of our strategy and execution capabilities. Over the last five years, we have delivered a revenue CAGR of 22% and a PAT CAGR of 26%, demonstrating our ability to consistently scale the business while creating long-term value for stakeholders.

With that, I would now like to hand over the call to Mr. Shivendra Nigam, who will take you through the financial and operational performance for the quarter and the first half of the year.

Shivendra Nigam – CFO: Thank you, sir, and a warm welcome to everyone. Coming to the numbers, the standalone performance highlights for H1 FY27 are as follows: revenue from operations for H1 FY27 grew by 11% to 370.5 crore as compared to 334.7 crore in H1 FY26. EBITDA for H1 FY27 grew by 14% to {? 103.8 crore ?} as compared to 91.9 crore in H1 FY26. EBITDA margins for H1 FY27 improved to 28% as compared to 27.2% in H1 FY26. Coming to PAT for H1 FY27, it grew by 9% to 23.4 crore as compared to 21.4 crore in H1 FY26. PAT margins for H1 FY27 stood at 6.3%.

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Now coming to the standalone performance highlights for Q2 FY27: our revenue from operations for Q2 FY27 grew by 9% to 191.7 crore as compared to 176 crore in Q2 FY26. EBITDA for Q2 FY27 grew by 5% to 44.4 crore as compared to 42.1 crore in Q2 FY26. EBITDA margins for Q2 FY27 stood at 23.2%. PAT for Q2 FY27 grew by 4% to 7 crore as compared to 6.8 crore in Q2 FY26. PAT margins for Q2 FY27 stood at 3.7%.

On the operational front, we continue to scale efficiency with a total of 690 stores across the country, covering a total retail area of nearly 1 million, that is, 9.89 lakh square feet. These results affirm the strength of our business model and our ability to drive consistent, high-quality growth.

Operator: Thank you so much, sir. Ladies and gentlemen, 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 wait for a moment while the question queue assembles.

Our first question comes from the line of Nipun Chhenka with City Research. Please go ahead.

Nipun Chhenka – City Research: Yes, hi, sir. Good evening. How would you justify increasing capital allocations to Cellphone value stores when such deployments have not been able to speed up sales momentum? By our estimate, your sales growth would decline to {? 15% to 16% ?} in the current fiscal from 17-18% in the last two years.

Management: Our sales are down in Q2 more than in Q1 because of a shift in the festive calendar. There was an additional Hindu month in July, due to which weddings did not take place. The Durga Puja sale also shifted from September to October. So there was pressure on the numbers in Q2. But we hope we will be able to compensate for these sales in Q3 because the festivals are in Q3. We are also growing very fast in Q3. We added 80,000 square feet in Q1 and Q2, but we aspire to add at least 55,000 square feet in Q3 alone. We will be able to compensate for the low sales in Q1 and Q2, and we should get close to our yearly target.

Nipun Chhenka – City Research: Okay, okay. But, sir, on the growth part, it is still justifiable that we will make it up in H2. But how do you justify the capital allocation towards Cellphone family stores?

Management: Any plan is a long-term plan, right? Any plan in terms of store expansion or anything else is not a short-term plan. It is a long-term plan. There may be fluctuations over a couple of quarters due to festivities or other factors. Plans and capex allocation cannot be changed in a quarter or two because they are part of a long-term plan. That is how it is taking shape.

Nipun Chhenka – City Research: Understood, understood. My next question was, do you think it makes sense to revert to the franchisee model, notwithstanding the issue related to store service or store keeping, as it is capital-light and we somehow need higher sales momentum to arrest a further fall in return on capital?

Management: The franchisee policy is still open. But because we are opening bigger stores now, many franchisees are not in a position to make such a large capital allocation for these new stores. That is why the number of franchisees has gone down. But yes, franchising is still open, and we will

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open a couple of franchisee stores in H2.

Nipun Chhenka – City Research: Yes, because for the larger family stores, it is understandable that the higher capital requirement does not suit the smaller players. But for the smaller stores, can we not increase the number of stores that we are opening under the franchisee model?

Management: Franchising really depends on the opportunity. Sometimes good locations are not available with franchisees, and good locations are only available through the company. So we go for company-owned stores, and the ROI is good in the company stores. Company stores are also stable. They have a longer lifetime compared to franchisee stores.

Nipun Chhenka – City Research: Understood, understood. That is all. Thank you, sir.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. Our next question comes from the line of Raj Shah with Insight Advisors. Please go ahead.

Raj Shah – Insight Advisors: Good evening, sir. I understand that you have given the reasoning with regard to the extension of the festive season into Q3. Given that most of the festivals are now behind us, how do you see FY27 overall in terms of the growth targets? I am sure Diwali is now done, Durga Puja is done, and the major festivals are all over. Based on the sales momentum that you would have seen during the festive season, have you internally worked out any growth targets for FY27 overall?

Management: You are right that the festive season is over, but the wedding season is still pending. Last year, the wedding season started around November 1, but now the wedding season has not started. Everybody knows it starts from the 11th day of Diwali. So we still have not reached the festive and wedding period. It would be too early to comment on this. Let the wedding-season sales also happen, and the consolidated Q3 number will tell us the real picture.

Raj Shah – Insight Advisors: Okay, okay. But broadly, whatever shifts you saw on account of festivities compared to last year, between Q2 and Q3 last year, do you feel the festivities have covered the sales? Do you feel the growth has been comparable on a like-to-like basis on the festive portion of it?

Management: Yes, festive sales are growing. Festive sales growth is positive at 12%.

Raj Shah – Insight Advisors: Okay. Second, I wanted to understand the reason for the pressure. If I look at the pre-Ind AS numbers, what led to the major pressure on the EBITDA margin compared to last year?

Management: It is the same thing. Our same-store sales growth in Q2 is down by 2%, marginally 2%. That is a marginal effect. That is the pre-index marginal effect in terms of PAT as well. So that is largely in line with that.

Raj Shah – Insight Advisors: Okay. I am assuming that inventory levels were also high only on account of the shift in festivities, or was there any other reason?

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Management: Yes, because as of September 30, procurement for the winter season as well as the wedding season and other requirements had been secured. That would be reflected in Q3 and Q4. That is why. It is also in line with last year's numbers.

Raj Shah – Insight Advisors: Sir, just going by the broad-level environment in terms of the consumption patterns that you see, other than the festivities, obviously it is too early, but are you seeing any pressure on sales overall in terms of consumption, at least in the value-retail segment?

Management: SSG is negative 2% in Q2. But we hope we will cover the negative SSG in Q3 and Q4.

Raj Shah – Insight Advisors: Okay. I think that will be all from my side. Thank you so much.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. Our next question comes from the line of Rajesh with Daga Investment Advisory. Please go ahead.

Rajesh – Daga Investment Advisory: Good evening, sir. Congratulations on a decent set of numbers. I have a few balance-sheet-related questions. When I look at your lease liability and right-of-use assets, there has been a substantial reduction vis-à-vis {? March '26 ?}. At the same time, there have been substantial additions to the stores. Typically, it should have gone up, but this has gone down by almost 200 crores in terms of lease liability. Was there any accounting change, or how should I read this?

Management: It is a change in accounting estimate, basically to keep the balance sheet light, which is what other industry peers are doing, right? So we changed the accounting lease to the 6-year standard norm. We have around {? 62% of our 68% ?} of our leases for 9 years and beyond as well. We changed the accounting estimate in this quarter, for which a note has also been given in the result release. The accounting estimate has been changed. Now, lease liability and ROU for all my leases have been computed for 6 years, considering the changing dynamics of the environment and our internal decisions as we continue opening bigger stores. There were a couple of reasons. As of July 1, the estimate for accounting for leases was changed.

Rajesh – Daga Investment Advisory: So how much, sorry, I missed the note entirely, would this have led to a change in profitability? Was there any impact on that?

Management: Yes, there was an impact on profitability. My PAT increased by approximately 3 crore due to the change in accounting estimate.

Rajesh – Daga Investment Advisory: Okay, okay, okay. Secondly, there has been an increase in inventory, and somebody, the previous person, asked about this. This is essentially because of stocking for the season, right?

Management: Yes, basically, inventory as of September 30 is always higher. The real inventory picture will become clear on December 31.

Management: Because winter-season products, wedding products, and all the high-ticket SKUs have been piled up in inventory, which is supposed to be released or sold in Q3 and Q4. That is why inventory as of September 30 is always high.

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Rajesh – Daga Investment Advisory: Coming to Vision 2027, there are two parts. One is where we stand in terms of achieving that, and obviously, we know that we are halfway through 2027. What would be the near-term vision, perhaps 2029 or 2030? Vision 2030. If you can give broad numbers, we have estimated 1,000 crores for 2027. Now we are around 385, 380. Is 1,000 crore revenue achievable in the next 6 months?

Management: Honestly speaking, we have not revised any of our targets as of now. Revenue of 1,000 crores is still our target. In any commentary we have given, plus or minus 4-5% is the difference; otherwise, the target remains 1,000 crore for FY27.

Rajesh – Daga Investment Advisory: Okay. On SSG, you had guided for a high-single-digit same-store growth. If I look at 6 months, it is almost around zero, or 0.8 or something. Do you want to revise it, or do you still believe that because the main season is still pending, and Q3 and Q4 are the main seasons, you will be able to reach those levels?

Management: In the earlier 5 years, the CAGR SSG growth target we had given was 4 to 5%. The first half is at 1%. That means we have to achieve at least 7-8% in the second half. My target for revenue is still 1,000 crores, plus or minus 4-5%, and we are still working to achieve the SSG target. A 4-5% SSG has always been communicated, and it remains the target.

Rajesh – Daga Investment Advisory: Okay. Any thoughts on Vision 2030? Where do we want to reach, because 2027 is almost done, right? So when I am modelling future growth projections, broadly what number should we take for 2030?

Management: Internally, we have a target to achieve 1,000 crore by FY27 and then try to double it over the next 4 to 5 years, or 5 years, you can say.

Rajesh – Daga Investment Advisory: So, 20% growth per annum?

Management: Yes, that is the target. This is our internal target, and we are completely working towards it.

Rajesh – Daga Investment Advisory: Okay. Yes, that is it. Also, considering that a lot is being talked about regarding the consumption slowdown, with a few companies reporting very good results and giving a very good outlook, while a few companies are giving a very bullish outlook, as an investor we are a little confused. I just wanted to hear from the management about the ground-level reality. Considering that you have so many COCO stores, what is the ground-level reality that you have been facing? Is there a slowdown, or do you still feel that it is more on paper than an actual slowdown? In addition, considering the drought situation in parts of the country, is it going to have an impact going forward for the balance part of the year?

Management: As you said, in Q2 there was a change in the festive calendar, so many brands and many companies reported negative SSG in Q2. But despite knowing that there was a shift in the festive calendar, sentiments are down because once things go down, despite knowing everything, sentiment is hurt. Most companies, perhaps due to the sentimental issue, are talking about a negative outlook, but in reality there is not much negativity in the market.

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Rajesh – Daga Investment Advisory: Okay, that is very positive to hear. All the best for the future quarters, and if I have any more questions, I will join the queue again. Thank you.

Management: Thank you, sir.

Operator: Thank you. Anyone who has a question may press star and one. Our next question comes from the line of Raksha with Insight Advisors. Please go ahead.

Raksha – Insight Advisors: Sir, a quick clarifying question. I wanted to check what the online sales contribution was for this quarter.

Management: Out of my total sales this quarter, approximately 5.5% was online sales.

Raksha – Insight Advisors: Broadly, based on your previous conversations, you have always said that the margins online have not been very good compared to offline. Have you seen any improvement in that channel now compared to earlier?

Management: There has not been much improvement in the quarter itself. There is not much change between the last quarter and this quarter. That is the reality.

Raksha – Insight Advisors: Okay. In terms of the stores that you opened this quarter, can you give a breakup of how many were family stores and how many were gender-dedicated stores?

Management: We opened a net 23 stores in Q2, right? Seventy percent of the stores are family stores, and the remainder are men's, ladies', and kids' stores.

Raksha – Insight Advisors: Right. What is the traction in kids, especially given that it was a new category that you launched some time back? How are we seeing the traction?

Management: The kids' category is growing, but its total contribution to sales is not very high. The total contribution share of kidswear is around 3–4% only, but we expect it to grow. We also plan to add the kids' category to the online space. That is how we plan to proceed.

Raksha – Insight Advisors: Okay, so it will not be a dedicated store for kids or anything like that. It will be more of men's and women's stores, with gender dedication, is that right?

Management: Yes. In ladies' and kids' stores, kids are always included. We do not have any exclusively ladies' stores. All stores that have ladies' products also have kids' products, but in the family category, more space is allocated to the ladies' category than to the kids' category.

Raksha – Insight Advisors: Got it. One last quick question on the economy. Given that raw-material prices are moving, especially cotton prices, I know that given the value segment there is a significant amount of blended product and blended cotton, but do you intend to increase prices, or how do you intend to manage the increase in raw-material prices?

Management: There has been a very slight increase in cotton prices, so we plan to add it to the cost. Gross margins will not be affected by the increase in raw-material prices.

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Raksha – Insight Advisors: Okay, so it will be passed on directly to the customer from your end. Understood. So, as far as EBITDA margin for the year is concerned, you do not see any contraction?

Management: We do not see any contraction.

Management: [pause] No, we do not see any contraction in that margin.

Raksha – Insight Advisors: Got it. Got it. Thank you so much, sir. All the very best.

Management: Thank you, sir.

Operator: Thank you. Our next question comes from the line of Anubhav Sakhuja with Ambit Capital. Please go ahead.

Anubhav Sakhuja – Ambit Capital: Hi, thank you for taking my question. I had one balance-sheet-related question. In the last call, you mentioned that there was a 15 crore loan that we had given out, which was due to be cleared by February. I wanted to ask whether we are still on track for that or whether there is any delay.

Management: It will be cleared on time. It is on track as well.

Anubhav Sakhuja – Ambit Capital: Okay, thank you. That was my only question.

Management: Thank you, sir.

Operator: Thank you. The next question comes from the line of Rajesh Shah with Daga Investment Advisory. It is a follow-up question. Please go ahead.

Rajesh Shah – Daga Investment Advisory: Thank you for taking the follow-up question. I wanted to understand the Bangladesh situation. Since it is still not stabilized, are we seeing any demand traction coming from that side, considering that we have a good amount of our own manufacturing as well as dedicated manufacturing? Is there any export potential that we may explore?

Management: No, we only export to Nepal. We are not exporting to Bangladesh, and there are no immediate plans to export to Bangladesh.

Rajesh Shah – Daga Investment Advisory: No, I am not asking about exporting to Bangladesh. I am saying that manufacturing from Bangladesh is impacted because of the political situation there. Considering that we have a robust manufacturing setup of our own, along with dedicated manufacturing capacities, are we getting any demand from outside that we are planning to supply?

Management: [pause] We have a very small portion of our production sourced through Bangladesh, and the factories we source from are stable. They are not unstable.

Management: ...due to the situation in Bangladesh.

Management: Sure. Thank you.

Operator: Thank you so much. Our next question comes from the line of Arjun Gaikwad, an individual investor. Please go ahead.

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Arjun Gaikwad – Individual Investor: Hello, sir.

Management: Hi.

Arjun Gaikwad – Individual Investor: We can see that there is short-term borrowing of 27 crores. Are we using this for store expansion or for anything else?

Management: Working capital, sir. It is a utilization of my working-capital limit due to additional procurement for the winter. This is purely a working-capital limit. We have never had a long-term loan. A capex loan has never been part of the balance sheet.

Arjun Gaikwad – Individual Investor: Okay, sir. Thank you.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. Since there are no further questions from the participants, I now hand the conference over to Mr. Deepak for the closing remarks. Thank you, and over to you, sir.

Deepak: Thank you once again for your time and valuable participation today. As we move into the festive season, we are witnessing encouraging demand trends across our key markets, supported by a strong product portfolio and an expanding retail footprint. We are well-positioned to capitalize on upcoming opportunities and deliver a strong second half of the year. Thank you all for joining the call today. We hope we have been able to answer your queries. Please feel free to reach out to our CFO or IR team for any clarification or feedback. Thank you all.

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

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

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