



**VEDANT FASHIONS**  
- LIMITED -

**“Vedant Fashions Limited  
Q1 FY '24 Results Conference Call”  
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**MODERATOR: MR. GAURAV JOGANI – AXIS CAPITAL LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Vedant Fashions Q1 FY '24 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the 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 telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gaurav Jogani from Axis Capital Limited. Thank you, and over to you, sir.

**Gaurav Jogani:** Thank you, Seema. Hello, everyone. At Axis Capital, it is our pleasure to welcome you all to Vedant Fashions Q1 FY '24 Earnings Conference Call. From the management, we have with us Mr. Vedant Modi, Chief Marketing Officer; and Mr. Rahul Murarka, Chief Financial Officer. Thank you, and over to you, Vedant.

**Vedant Modi:** Thank you, Gaurav. Good afternoon, and a warm welcome to all the participants. I am Vedant Modi, the Chief Marketing Officer of the company. Thank you for joining us today to discuss the Vedant Fashions Limited Quarter 1 Financial Year 2024 results. I hope everyone got an opportunity to go through our financial results and investor presentation, which have been uploaded on the stock exchange as well as the company's website.

In this quarter, we continue to increase our retail footprint, which is the dominant channel for our company. As of June 2023, Vedant Fashion's EBO area stands at 1.56 million square feet, spanning 662 stores in 260 cities and towns globally. The national EBO footprint tally is at 646 stores spread across 248 cities and towns. In this quarter, we opened net square feet area of around 85,000 square feet across 13 exclusive brand outlets in India.

We've also opened company's largest flagship store of around 22,000 square feet in the Bangalore city. We have a strong and healthy pipeline for new rollouts planned for the remaining part of the financial year. We feel proud to share that we have launched Twamev. Twamev empowers individuals to extend their true selves through captivating attires and the philosophy of being uniquely you. We have opened 3 Twamev exclusive outlets in this quarter as well, aggregating to 22,000 square feet area cumulatively. These Twamev EBOs have opened across 3 cities as per our strategic market expansion plan.

We have brought in French consultants to design the experience in these stores to provide an atmosphere of elegance and individuality while considering consumers' psychographics of the target group. We have also launched women's wear in Twamev. The product mix and operations for Twamev have been built on the tried and tested algorithmic data sets of Manyavar and Mohey utilizing the 2 decades of data we've been able to collect.

We are seeing great response from the customers, which furthers our confidence in the strategy that was planned for Twamev. Vedant Fashions is India's largest wedding and celebration wear company and the branded Indian wedding and celebration by market. It is pertinent to note that we are predominantly a wedding focused business. In a given period, wedding dates can shift over months or quarters based on astronomy. In this particular quarter also, as expected, we

witnessed significantly lower wedding dates compared to the same quarter in last year, which got reflected in our performance as well.

Since last year, quarter 1, rather H1, being the first clean normal period after COVID had a very strong surpassing effect as well, coupled with promising wedding dates as well, which resulted to a very good H1 of last year, doing around 42% of full year business, which is typically a lot higher than any other normal year. We expect this to normalize in the current financial year and majority of the sales will be driven by a strong H2 period.

In this quarter, we have strongly focused on further enhancing our business dynamics in line with providing better consumer experience through a renewed digital interface website, larger than life super flagship store launches, brand launch of Twamev and further expanding the retail footprint in existing dense and new markets strategically. We have also focused on category-specific marketing for our kids category and for our womenswear brand Mohey by partnering with marquee events like Femina Miss India and a lot of influencers as well.

These efforts, coupled with the strong moats, which we have established over a period of time have continuously led us to maintain industry-leading margins and return metrics. We have reported PAT margins of 29.5% in the first quarter of financial year '24 as well. We are very positive with the business outlook and are optimistic and fully prepared for this financial year as a whole, with wedding and festive seasons ahead in this year.

With this, I will now hand it over to Mr. Rahul Murarka to take you through the financial performance of our company. Thank you.

**Rahul Murarka:**

Thank you, Vedant. Namaskar and good afternoon, everyone. I would like to highlight the key financial metrics for Q1 of FY '24 based upon the consolidated financial statements. During Q1 FY '24, the company reported revenue from operation of around INR312 crores and sale of our customer is around INR422 crores. The revenue and related metrics during the quarter got impacted due to significantly lower wedding dates compared to Q1 of FY '23.

Moreover, Q1 FY '23 was the first full clean year after COVID coupled with full-fledged wedding season. Hence the base period of Q1 FY '23 was not a normal period to compare performance in Q1 of FY '24. On comparing our performance in Q1 of FY '20, which was a normal quarter coupled with high wedding dates, our revenue from operations grew by approx. 52%. The company continues to report industry-leading gross margin of around 66.8% during Q1 of FY '24. The EBITDA margins are around 47.7% and EBITDA stood at around INR149 crores during Q1 of FY '24.

The company reported strong PAT margin of 29.5% during Q1 FY '24, and the profit after tax stood at around INR92 crores. Moreover, the PAT generated during the trailing 12-month period of June '23 is about 135% of net working capital employed. Further, the company also witnessed growth in PAT by across 65% in Q1 of FY '24 over Q1 of FY '20 based upon internal management MIS.

The company continue to generate significant cash driven by a healthy cash conversion ratio. During Q1 of FY '24, the company reported cash conversion ratio of approx. 78%, which has

been computed based upon operating cash flow over PAT. We have been also able to achieve industry-leading ROCE of 91% during the trailing 12-month period ended June '23.

We have continued to maintain efficient working capital days of around 85 days based upon TTM and June '23 period, which is computed based upon internal management MIS format. It would be more relevant to review our business performance metrics at an annual level. Since performance in a particular quarter may vary based upon spread of wedding dates across the year. We are hopeful and positive for H2 and full year as a whole, owing to wedding and festive seasons in H2 during this financial year.

Thank you, and namaskar everyone. We can now move to the Q&A session.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Mr. Tejash Shah from Avendus Spark.

**Tejash Shah:** A couple of questions from my side. Vedant in your opening remarks, you spoke about the 2 decades of data that we have. So I was just curious to know that in past in the years where we have the Adhik Maas in Hindu calendar. How does the demand play out in the balance part of the year? Do we see a very unusual pent-up demand for the balance part of the year? Or it's a kind of a business which gets lost and it kind of devolves into the next year wedding season.

**Vedant Modi:** So I guess the last time this happened was quarter 1 of FY '17. So in FY '17, what we saw that again, May, June had a bad wedding period and there were low wedding dates, and we saw a double-digit degrowth in Q1. However, we ended the year quite strong with almost 16%, 17% approximate of revenue growth in that particular financial year as well. So there was a double-digit degrowth but ending the year with a positive note. So yes, there was a spillover effect in H2 of that particular financial year and almost 65% of the business, 66% of approximately of the business was done in H2 compared to H1 in that particular financial year.

**Tejash Shah:** And second and last question, you spoke about Twamev. So just wanted to understand a bit of KYC on Twamev clientele, usually, which income group or with Strata, they come from? And how do they discover the brand and how you discover them as a customer because route to market won't be the usual one? And how does the branding and designing philosophy changes versus our rest of the portfolio over here? And that's the last question.

**Vedant Modi:** So in terms of Twamev in terms of our clienteling, from a marketing perspective, Manyavar's TG stands at about INR5 lakhs to INR50 lakhs, whereas we see that the Twamev target audience would have an annual income of about INR50 lakhs upwards of INR3 crores to INR4 crores. So that is the kind of Twamev target audience we want to cater to. And in terms of reaching out to the consumers -- for the starter, the stores that we are opening in itself are the most amazing stores that we've ever opened.

So if any one of you have time, I mean, I really think you must visit our store in South ex-Delhi, which has very recently opened. And that store shines in the best wedding market of India. And so these stores in itself are the best from of marketing, in my view. On the other hand, we've also hired the best of the creative agencies, and we're going to be out with the

brand film well very soon. So we will have a digital/offline presence for the brand that we will target the higher income strata of each of these cities in order to get them to visit the store.

If you visit Twamev social media as well, you will find that we had an amazing launch event for a Bangalore store, which was the first one we did, and we were able to bring in almost 100-plus high-net-worth individuals who all came in and circles typically for HNI group in a city are small. So even bringing in 100 of them can do a lot of noise. And we've seen that sort of store opening having great results from the kind of store sales, we're now able to achieve and Bangalore itself.

From a design philosophy point of view. I think we continue to follow the methodology of a bottoms up approach. So the consumers' demands in Twamev are slightly different, but we continue to learn from the consumers to develop those designs in-house and then serve them to our stores. So that's a very similar strategy of a bottoms-up approach designing, which is something we will continue with.

**Tejash Shah:**

Sure. And then just on associated question. So this clientele requires a very comes with a very different service aspirations and luxury as a theme is relatively new to India. So where do you go to hire the talent for this kind of engagement? And -- or are you planning to kind of develop that organic team within the talent pool that we have already?

**Vedant Modi:**

Absolutely, great question. So given the fact that this talent is very scarce, what we are looking for is individuals who have great communication skills. And then what we are able to do is teach them out to the art of selling Indian wear and teach them the art of service. So we are actually scouting for people from across places like hospitality, etcetera.

And I must say that the best way to explain this is if you visit the store itself, you will find that Manyavar has always been a one-on-one experience where you have one fashion advisor catering to one client. However, in Twamev, it's a 2 on 1 experience. So what we are trying to do is you have one fashion stylist along with a fashion advisor to help you with your purchase decision. And the whole idea is to only inspire you and selling is an outcome of inspiring you.

At the same time, from a hospitality perspective, we've worked a lot in terms of the kind of service levels you want to have at the store. So we brought in hospitality experts to be available at the store. We have a very good refreshment menu and sector, which has also been worked upon. So I think the best way would be to show it to you practically -- and if you have to get any chance, please to visit any of the stores that have already opened up.

**Moderator:**

The next question is from the line of Mr. Sameer Gupta from India Infoline.

**Sameer Gupta:**

Firstly, I have two -- so firstly, on this 22% same-store sales decline. Just wondering is there a wide divergence where you can -- in stores where there is some organized competition form that has come up in recent times versus stores where there is no such organized competition in the vicinity. Can you give some color on that aspect would be helpful?

**Vedant Modi:**

Absolutely. Thank you for that question. So we monitor organized competition extremely closely. And from the perspective of anywhere there is organized retail that has opened next to

our store, the impact is not at all different from the other stores that are in our fleet this slowness was seen overall across the industry, across the fleet of stores. I think one very interesting piece of data here is that traditional markets are typically the most impacted in a weak wedding date quarter? So these are markets like Bihar, Orrisa, Andhra Pradesh. Now in these markets, actually, none of the organized retails have even entered. Maybe there's 1 or 2 stores, but primarily, they have not even entered these markets, which were the highest impacted markets for us for this quarter.

**Sameer Gupta:**

That's very helpful, sir. Secondly, on this pickup in 2H in the hope, is this more of a statement of hope at this point because the discretionary consumption across the board is struggling. And apart from wedding dates, is there any other trigger that you're hopeful for? And are we still good with our mid- to high single-digit SSS growth guidance for the full year?

**Vedant Modi:**

So in terms of saying that this is a hope, I mean, definitely, we are hoping for the best. But at the same time, this is a trend we've seen in multiple years across the past. And our business is more focused on wedding dates, because wedding is one event where this is not a purchase decision being made like in the short term.

This is something that families plan for years before the purchase decision has been made. That being said, it is not that a business. It does not have any impact at all of low consumer sentiment. There is definitely some impact, but it is much lower compared to the rest of the consumer discretionary players. In our case, it's more to do with the wedding dates.

Also, in terms of we, as a company, do not give any guidance -- our endeavor is always to achieve mid- to good single-digit sort of a SSSG number. And that is something which we will endeavor to achieve in the long term.

**Rahul Murarka:**

Just to add upon, I mean, when it comes to weddings, we are part of essential category. And as it has been evident during COVID years also, demand in our case, does not get destroyed. It only gets deferred. So that is one positive situation in case of our business, which will play a very important role in H2, which we have been also focusing on.

**Moderator:**

The next question is from the line of Mr. Saumil from Kotak Life.

**Saumil:**

Two questions from my side. One is for the quarter. And going forward, how should we look at Mohey's contribution? And now do you believe it's a format where it can actually stand by on a well be addressed in and basically invest that into that part of the business for the next 3 to 4 years?

**Vedant Modi:**

So in terms of Mohey, like we've been talking about in our previous earnings call as well, we've been seeing increasingly better demand for the product at our stores. The consumers have been responding to Mohey in a very good way. Our conversion rates have improved and so have our supply chain metrics. However, all of these trends have been seen in the Manyavar and Mohey retail concept. When it comes to the Mohey exclusive brand outlet concept, that is something that we are aggressively working on in terms of coming out with our first flagship Mohey EBO. It's in the pipeline.

The whole idea and our research was that for a bride, the magical moment of when she puts her first lehenga is extremely important. And so we've been truly trying to create a fantastic store in order to give her that feeling because this is the retail ID, which we will be then expanding and taking into other cities and different sort of business development strategies. So we continuously are working on it. And hopefully, we will be out with the first EBO in early Q3 and be able to see the H2 season with that flagship along with a few other pilot stores that we will open in the financial year as well.

So once we have data of how the exclusive brand outlets are performing, that is when we will be a little more comfortable in saying how we want to expand Mohey as a stand-alone concept. However, we are very confident of the brand now, and we see great potential in the overall industry and the brand itself.

**Saumil:** So for the quarter, which went by Vedant not getting into specific numbers, but between the 3 large formats, Manyavar, Twamev and Mohey, which parts are more set over the other are the qualitative that would be of retail property.

**Vedant Modi:** So I couldn't get you properly, sir. Can you please repeat the question?

**Saumil:** So in terms of, obviously, the quarter which went by, we had a decline both in revenues as well as terms of SSFG between the 3 formats, what we have, Manyavar, Mohey and Twamev, which did well versus others in terms of which part of the [formats] saw more stress and decline?

**Vedant Modi:** Sure. So in terms of Twamev because we opened 3 exclusive brand outlets for the first time spanning 22,000 square feet area Twamev definitely saw a good level of growth in the quarter as well, just from the pure having a small base last year and us opening 3 EBOs and also increasing store presence. On the other hand, Mohey also had decent growth, slow but decent growth, and that is also because Mohey's presence got increased in 7 new flagship stores as well.

So that is how I would put it. So the contribution of our other brands apart from Manyavar is definitely increasing. However, not commenting on this particular quarter itself, but overall, Manyavar itself is also growing extremely rapidly. Therefore, commenting on the proportion of how it will play out with other brand versus Manyavar is difficult. But yes, other brands will definitely grow faster than Manyavar itself.

**Saumil:** Sure. And my last question, we saw gross margin compression both on a Q-on-Q as well as Y-o-Y. While I understand a part would be because of mix because we sold less of wedding wear. But I mean, is this a new normalized gross margin we should expect over the next few quarters or probably the further separation and probably will get back to a 65% and 70% gross margin on a sustained level -- that's my last question.

**Rahul Murarka:** Sure. So in FY '23, the gross margin was 67.4%. And in Q1 of FY '24, we have achieved 66.8%. Now quarterly, the gross margins can always vary so it is also important and relevant according to us, we compare the gross margin at an annual level. So I mean that is why reference to FY '23 would be more relevant compared to Q1 of FY '23. And as far as the

stability of gross margin is concerned, we have been able to historically achieve more than 65% of gross margin. And we don't see any challenge as of now why we'll not be able to achieve in future.

**Moderator:** We take next question from the line of Ms. Priyanka Trivedi from Antique Stock Broking Limited. Please go ahead.

**Priyanka Trivedi:** So my first question is with regards to our Twamev new stores that we've opened. So could you give us a sense on how the ASPs would pan out versus the Manyavar in the menswear category and Mohey in the womenswear category? And how of the store, what would be the store allocation to the womenswear space in the overall space?

**Vedant Modi:** I mean while I try to give you some estimates, it is still very early for the brand Twamev to sort of be commenting on how the ESP would span out over the year because it's a new brand, and we work on bottoms up sort of data where we try to learn what consumers are liking and then making more of that. So currently, the ASP in each of our product range approximately ranges between 2x to 3x compared to Manyavar or compared to Mohey. In our womenswear line, it's slightly higher, more towards 3, while in the menswear line, it's more towards 2.

However, what is interesting to kind of notice is that the average bill value which we've been able to achieve at the store in the last couple of weeks in itself is 3x or slightly more than 3x that of the concept that we -- the kind of bill values we achieve in Manyavar-Mohey. So that is very positive. And overall, we will be able to continue to kind of see in the next 1 or 2 quarters, be able to understand this data a lot better with more consumers walking in and more bills being made.

**Priyanka Trivedi:** Okay. And how many stores do we intend to open in the next 2 to 3 years on an annual basis? Any estimates or any forecast made on that side?

**Vedant Modi:** So again, as a company, we believe in being very efficient. So the way we plan out stores is basis how the pilot will perform. So up until this point, the 3-store pilot has been giving us a lot of confidence. So we've already signed 2 new stores, which we will be opening within 3 to 4 months at max. And at the same time, we will be signing 3 to 4 more stores in this financial year itself. And then bases the performance of the 10 store pilot, which we do, we will kind of take a call on how many stores we would want to open over the next 2 to 3 years.

And from a womenswear perspective, you had that question as well. To be very honest, women's in Twamev from few weeks of data we have has surpassed our expectations. So as we would achieve kind of thinking it would be slightly less than the menswear, but it's actually been performing very well and almost it's been a 50-50 split, almost 45-55 between women and men. And so we've been seeing tremendous response from all the female consumers also walking in for Twamev product.

**Priyanka Trivedi:** And my second question was on the wedding days front. So could you give us a guidance on how the wedding dates in the second half before versus the last year?



**Vedant Modi:** So again, this is something which with kind of changes with the source -- but the kind of philosophy which we follow, we see that in Q3 itself, there's about 50% more wedding days, even though I would like to mention that revenues/number of weddings don't proportionately change basis wedding dates.

Overall, H2 has a decent number of wedding dates, which is what we see in a typical financial year, historically. Last year's Q3 had lower wedding dates. This year's Q3 has the normal wedding dates like any average financial year does. So we are looking for a very strong H2 and almost 30% to 40% overall higher wedding dates compared to last year in H2 itself.

**Moderator:** We'll take the next question from the line of Mr. Nihal Mahesh from Nuvama.

**Nihal Mahesh:** The first question was on the quarter. Approximately, what will the lesser number of wedding dates in this quarter versus last one just to get an understanding? And if you could give a bifurcation between the wedding and non-wedding revenue growth that would just be helpful?

**Vedant Modi:** So about the source which we follow according to that, about there were 37 wedding dates in the last financial year and about 22, 23 wedding dates in the current financial year. But more importantly, I mean, more than the dates, the larger factor which played out was having no weddings at all in the month of April and almost no weddings at all in the month of July, which impacts June in our case, to some extent. So that was the larger kind of point of view, which impacted.

**Nihal Mahesh:** Basically, these are months where you end up seeing a higher ASP in terms of the collection that get sold on website?

**Vedant Modi:** Correct. And there was another big feedback, which we were able to get from the string of sweet shops, event organizers, wedding portals online that we talk to that a lot of people are preferring not to get married anymore in the months of June, especially because of the extremely high heat. So the preference is continuously moving towards the latter half of the financial year for people to get married and they prefer to get married into winter as compared to the summer season.

**Nihal Mahesh:** Then just a related question there was that what would have been a contraction on the secondary level in the non-wedding wear revenues? I think that will then give us a sense of what is the impact of the ballpark consumer sentiment rather than the wedding date mix impact?

**Vedant Modi:** Sure. So actually, we don't really have any particular data that allows us to know wedding versus non-wedding because the product is relatively similar. Q1 as a quarter does not have a lot of festivities. So the only big festivities that Q1 has is Eid and Bakri-Eid, where sales in our case are extremely low anyways. And that is why it's not a fair quarter to give you an estimate on non-wedding sales. However, what I can tell you is that the growth in the non-groom segment was faster than the groom segment, right?

And that is how the things played out this year. However, when it comes to the groom segment, what our training team has been able to achieve is we are continuously working on

our average basket size and average bill value when it comes to the groom segment and being able to continuously ensure the proportion of the revenue continues to stay the same even though more non-grooms are walking into the stores.

**Nihal Mahesh:** And would you associate to the recent "Taiyaar ho kar Aaiye" campaign?

**Vedant Modi:** Absolutely. That is the entire idea of driving those non-groom walk-ins.

**Nihal Mahesh:** That is helpful. The second question was, if we look at the way you have gone ahead and accelerated the scale-up for Twamev, which is a brand which launched, I think, 4 years later than Mohey. And while you speak of data, the point is that Mohey has been an SIS concept for you in more than 100 stores and there is an enough understanding. Would it be right for us to believe that in terms of pecking order, and maybe that's obvious also in terms of the store expansion that right now you are looking at scaling Twamev, and that is the priority for the next couple of years. And Mohey will scale up at its own gradual pace?

**Vedant Modi:** No, I don't think that is the right way to kind of look at this. It is because Twamev as a brand was in pilot in Manyavar stores so that we get merchandising right. As a company, we want to remain extremely efficient. So if we launch a brand with no understanding of how the product would play then it's very difficult to set up a brand.

That is why the whole strategy from the very beginning was that we launched Twamev products in Manyavar stores, understand how this sort of product price range behaves, and then we start opening EBOs in Twamev EBOs is a lot more important than having Mohey EBOs because the customer we are trying to cater to is completely different.

These consumers are high end, they require a different level of service, a different level of clientelling solutions. On the other hand, with Mohey, our Manyavar Mohey concept continues to be successful. The only reason of going into Mohey standalone concept so that we can scale up Mohey faster rather than getting Mohey to more people just through this particular concept, right?

So I guess it's more about having different strategies for both the brand rather than having different pecking orders. Internally, both of them have different verticals and Mohey has more people working on them. So I would like to believe that there's a lot of work happening on both the brands simultaneously.

**Nihal Mahesh:** If I could ask one final question. I think you mentioned Twamev the last 2 months of data that's available that around 40%, 45% of the sales of womenswear, which is pretty interesting, and I'm guessing this is much more than what Mohey contributes to Manyavar Mohey. So is it right to believe that there is a -- first of all, what could be the reason for this? And is there a case that maybe Mohey at a higher price point could end up having a better market than where it is now?

**Vedant Modi:** Well, again, like I said, it's never right to comment on data from what we've collected over only very few weeks. So I guess we would like to give it more time. And typically, there's also one big factor in play here that we are now, again, in off-season. So in an off season, what

typically happens is women's start to purchase product a lot earlier than men. That is why I would kind of not like to comment on this straight away, rather watch the entire quarter 3 before kind of strategizing on anything based on this particular data.

So typically, what we understand is women in Mohey's market itself starts to shop 45 days to 60 days earlier. However, at the Twamev's pricing, they start to shop 90 days to 100 days earlier in some cases. So it's just a matter of time that we will start to understand this segment better and these consumers better. So we would rather let some more data come into us before commenting this.

**Moderator:** We take the next question from the line of Mr. Varun Singh from ICICI Securities.

**Varun Singh:** Sir, just wanted to know that which calendar do you follow to track wedding dates?

**Vedant Modi:** I mean there's quite a few. But I guess, just to make it easy, there's one called Drik Panchang that is relatively easy to follow. And there are many other sources which we track and then we kind of average it out.

**Rahul Murarka:** I mean that is what Vedant mentioned, which you can easily refer to and is easily accessible. But when we try to understand the wedding dates and weddings, we use multiple channels and multiple methods to understand that. But when it comes to your reference, maybe that is one of the easy reference. That is what Vedant wanted to say.

**Varun Singh:** And any correlation analysis historically that you have done with regards to number of wedding days and the consequential impact on our business, especially on revenue, if you can share that?

**Vedant Modi:** The thing is this is something which we attempt every year at a planning stage. Now what we are trying to understand, so weddings -- number of weddings are directly correlated to our business. However, number of wedding dates are also directly correlated to the number of weddings that will happen, but not to the same extent as the thing I mentioned prior to this.

So this whole formula of understanding how many wedding dates would lead to how many weddings is a very difficult sort of concept even for us today. We try to get it right. And in some cases, we miss it by 5%, 10%. However, typically in the financial year, what we have seen is that overall number of weddings within a financial year don't really change unless in some rare cases where weddings have moved from Q4 to Q1. So in very rare circumstances that has happened in about 1 to 2 years in the last two decades, but typically the financial year, number of weddings have always been covered.

**Varun Singh:** I mean where I was coming from is to understand that how do we measure ourselves with regards to in case there is an underperformance. So if the underperformance is explained by a lesser number of or lesser count of wedding? Or is that also because of not getting price product, etcetera, may write out, I mean, because of market share loss or value migration or because of impact on consumer wallet shares due to inflation or other economic slowdown, etcetera. So how do we bifurcate between the 2? I mean do you -- and if you can give some thoughts on that?

**Vedant Modi:**

Sure. So I mean, historically, what we've seen any quarter like this, we have been able to see -- it's mostly because of wedding and less weddings happening across India. Another very interesting fact, which I would like to kind of point at the data is that our MBO channel actually we grew by almost 40% in this particular quarter. And this particular channel gives us a trend of how the entire traditional market of the country has been operating.

So just this figure, which is extremely small in our case, it's under 2%, under 2% to 3% of our revenue, which is the MBO business, but it gives us a good sense of what is happening in the overall wedding traditional wear market of India. And that kind of also explains signs that this particular quarter was weak across the board for every retailer that kind of is working in this industry.

**Varun Singh:**

And secondly, you mentioned in FY '17, when we did the 66% of the business in the second half. I mean just curious to know that in that financial year, like what was the kind of retail expansion also? I mean why I'm asking this question because in the current context, this quarter itself, our retail expansion was 22%. And still revenue growth was minus 4%, I mean, of course, negative 22% stable decline in SSG, because of the wedding reasoning, etcetera.

But I mean, since now we are adding much more flagship stores, the big size stores, I understand is more of an opportunity, operating less benefit, but the negative side also works in the similar order. I mean, it's not higher because we are also forced to keep much, much higher inventory when if it is not selling I mean, having said that, the costs are always or almost at the cost are fixed in nature.

So in FY '17, the way we grew revenue and margins because of 66% business in the second half, minus the information on retail expansion that we don't have. I just wanted to understand how do you look at this higher fixed cost structure of doing business flagship stores into picture now compared to the historical example that you shared with us?

**Vedant Modi:**

Sure. So there are multiple points here. Unfortunately, I do not recall the exact retail opening in that particular financial year, what we had. But in those particular years, we were rapidly scaling up as well. So the retail growth wouldn't have been too different. That's the first thing. The other thing is we don't take the call on a flagship/super flagship concept without any data.

It is a very data-driven approach where only if a store is performing extremely well, showing high productivity level numbers. Only then do we go ahead and open a larger store, which might be a flagship or a super flagship. So there's signs behind it, and that is how we have always progressed within markets as a company. We don't enter a new market with a super flagship store ever. So it's a very efficient form of making decisions.

And we kind of taste strong in terms of the whole concept, which we are expanding with. We see great response from our consumers walking in. There are many big benefits, which we are able to see from -- especially from the perspective of average bill value, which is a lot higher in any flagship or super flagship store.

We are also able to see different kind of cost efficiencies in build both for the franchisee and us because in a large stop, when there's a whole team of people running the store, you're able

to bring down cost of operating it. And at the same time, when we sign a larger store, we were able to bring in operating leverages through a slightly relatively lower lease cost.

**Moderator:** We take the next question from the line of Mr. Nikunj Gala from Sundaram AMC.

**Nikunj Gala:** Just want to understand the point of consumer behavior. So when we look at the data from the jewellery sector for the quarter, even if I exist, I understand there is some investment element to it. Gold prices were higher for the quarter, INR2,000, pulling back might have gained in jewellery sector per se, but even if I adjust that, wedding demand was relatively as compared to the April was okay, was not that bad.

So was there any apart from the wedding dates, more element to the discretionary spend by the consumer hurting us? Because on the other hand, if you look at the apparel side, across the price point, there has been pressure for the entire category. So we are part of that apparel category. So that is also hurting us in this year, particularly considering the discretionary spend by the consumer or the weak sentiment?

**Vedant Modi:** So firstly, I do believe that the lower consumer sentiments are definitely hurting us, but that is not the major reason of the slow quarter. The major reason still continues to be the fall in the total number of wedding that happened in the country. And consumer sentiments play a role, but a very sort of negligible role in our case. It's a small role that it kind of plays -- on the other hand, when it comes to the jewellery sector, like you mentioned, I personally as well follow a lot of those earnings calls.

And over the past also, the largest of the companies have mentioned that wedding is about 20% of their overall business. So it's a very miniscule percentage. And on the other hand, we conduct a lot of consumer journey researches. So typically, jewellery as a component is not even bought a month or 2 months in advance, but many months in advance basis our internal research guidelines also. So these are some kind of facts, which I would also like to raise.

**Moderator:** We move on to the next question from the line of Mr. Manish Poddar from Motilal Oswal AMC.

**Manish Poddar:** I have three. So first one is, both this Twamev three stores and the larger stores which you've opened are all those franchise and are these under the understanding where the company pays the rent?

**Vedant Modi:** Yes. Thank you for the question, Manish. So yes, all the three stores are franchisee owned stores. And because all of the three stores are based in a very prime location. So strategically, just like any other sort of retail concept, these are on our leasehold.

**Manish Poddar:** This is the same for the 22,000 square feet store, which we opened in Bangalore.

**Vedant Modi:** Absolutely.

**Manish Poddar:** And the second thing is for Rahul. So, this primary to secondary conversion, which you have on sales, how should one think of this number? Because if this quarter was lacklustre, and the

second quarter is generally lean, why would franchisees stock up inventory? Or how should one read into the sum?

**Rahul Murarka:** So basically, your historical trend also has been around 70-plus percentage when it comes to primary, secondary. In this quarter, it is -- it has been around 74%, mainly because of 85,000 square feet, which we have opened. So I think this is the largest square feet area which we have opened in Q1. 85,000 square feet, and that is why when you open a new store.

So there is -- that is the reason why the reported revenue is slightly higher than the customer revenue. But otherwise, if you see it is in the similar range, customer revenue and reported revenue. So whatever difference you are seeing between INR71, 72 to 74, it is because of the new store square feet expansion which we have done in this current quarter.

**Manish Poddar:** Okay. And the last one, in the other expenses. So how much of other expenses, let's say, if one has to look at us is variable in nature or, let's say, which can be controlled by you?

**Rahul Murarka:** So in terms of other expenditure of majority of our expenses, as we have mentioned, because our manufacturing work is also pretty much outsourced to vendors and job workers. So majority of it is variable in nature because our other expenses include job cost, which is a real part of manufacturing cost. It includes carriage freight and forward which is again dependent upon the sale.

It includes marketing expenses, which is again not a fixed cost. It depends upon business strategy from one quarter to another. So I mean -- and it has a lease cost. So lease cost is one component, I would say that, that is, of course, one fixed cost nature. Irrespective of the business, we need to pay that. That is one of major cost. Apart from that, there would be small admin expenses, which would be there. But by and large, it would be variable, I guess.

**Manish Poddar:** So just one clarity, if you can give me, in this lease cost of the entire rental cost, if I look at both from pre-IndAS per se, how much of this is revenue share in nature?

**Rahul Murarka:** Very less. I mean in terms of percentage, revenue share is mostly in case of malls and not in case of high street very few. So -- I mean it's not major revenue share. It is there, but it is not major.

**Moderator:** The next question is from the line of Mr. Ankit Kedia from Phillip Capital.

**Ankit Kedia:** Sir, two questions from my side. First is, a lot of the Twamev inventory we have seen in Manyavar-Mohey stores as well as our flagship stores. So how different is this inventory going to be compared to the Twamev, EBOs which we have now?

**Vedant Modi:** So actually, it's not per se a different inventory. In Twamev EBOs, we have even more higher-priced product as well. But the product of Twamev, which is available in Manyavar stores is also available in the Twamev EBOs as well. However, there's slightly more collection and you're able to see the entire collection of one store, which you would rarely be able to see in a Manyavar store.

**Ankit Kedia:** And given that the manpower, which we spoke of initially, now do you think the franchisees have mature enough to hire this talent? Or how is the employee recruitment process being done from the company side? And are the margins for the franchise is similar to Manyavar franchisee, given that the expenses would be more higher for these from Twamev stores?

**Vedant Modi:** So from a franchisee perspective, we have only sort of opened Twamev-exclusive stores with the best of franchisee partners we have and the partners that have been operating with us for many, many years now. So it was basis opening with partners who have a great mindset only.

So I guess from that perspective, they have been able to do a phenomenal job, and our teams have been very supportive. And we've worked alongside in terms of creating the entire infrastructure for the store team, etcetera. And the training and hospitality, etcetera, as being kind of being taken care by the company itself.

From a margin perspective, I mean this is something which we are kind of stuck to the Manyavar -Mohey model for now. But again, it's a very young brand. So there are certain things which we will strategically see as and how the brand grows.

**Moderator:** So we have some participants waiting for their turn. My we request you to come to the question queue. We'll take the next question from the line of Mr. Nikunj Gala from Sundaram AMC.

**Nikunj Gala:** Just a follow-up on the previous question. We had INR422 crores of retail sales. Can you help us like what's the consumer behavior you saw any different from the earlier purchase a number of articles per bill or per family was very different or maybe from the product which they bought from your assortment very different from the previous quarters or previous years in this quarter?

**Vedant Modi:** No. Actually, from the perspective of average basket size and average bill value within each of our segments, which is groom and non-groom, we actually saw a decent growth. So that is what I was referring to when in terms of consumer sentiments also that having spent some time in the store as well and seeing how consumers are behaving. We saw small growth in all the retail metrics, which we follow such as ASP, ABB, ABS within each of our segments of groom and non-groom.

**Moderator:** Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

**Vedant Modi:** Thank you so much, everyone, for your continued trust and support in us. It is always very nice to interact with all the analysts looking forward to the next quarter and interacting with all of you. Thank you very much, Namaskar.

**Rahul Murarka:** Thank you.

**Moderator:** Thank you. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.