"Shoppers Stop Limited Q3 FY 2020 Earnings Conference Call"

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MANAGEMENT: MR. RAJIV SURI -- MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, SHOPPERS STOP LIMITED
MR. KARUNAKARAN M. -- CHIEF FINANCIAL OFFICER, SHOPPERS STOP LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Shoppers Stop Limited Q3 FY 2020 Earnings Conference Call.. 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, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajiv Suri -- Managing Director and Chief Executive Officer, Shoppers Stop. Thank you and over to you, sir.

Rajiv Suri: Thank you. Good morning, and welcome, everyone. Thank you for joining us at the Shoppers Stop Earnings Call for Quarter 3. Kindly note that the quarterly results, press release, and investor presentation have been e-mailed across to you, and these are also available on our website. I hope, you had a chance to browse through the highlights of the performance.

For Quarter 3, Shoppers Stop reported sales of Rs. 1,300 crores, with an EBITDA of Rs. 102 crores, both growing at low single-digit as compared to last year. This is against a strong base of last year.

Whilst due to a sluggish economy, the quarterly LTL sales growth is soft at 1%, we focus diligently on increased efficiencies, keeping our LTL operating costs below that of last year, and as a consequence, our margins remained intact.

The company added 15 stores during the quarter, of which, 6 are department stores and 9 beauty stores and those are highest ever expansion in a single quarter. This takes the total footprint to 232 stores, of which, we have 89 department stores, 11 HomeStop stores, and 132 beauty stores and doors. We are now serving our customers across 42 cities.

In last quarter, we launched our next-generation iconic department store in Gurgaon at Golf Course Road, designed by D&P in London. This houses the widest range of luxury brands in beauty, Starbucks, Hamleys, Time Zone, Mothercare, Crossword and other luxury brands such as Michael Kors, Kate Spade, COACH, Armani Exchange, etc. and it offers an international shopping experience for our customers.

We also launched our new generation department stores designed by Schwitzke, Düsseldorf in other locations that we opened in Quarter 3. We now have two international store concepts ready and tested for our future planned openings.

Our other new department stores opened in Quarter 3, includes Seawoods Mall in New Bombay, Elpro Mall in Pune, Utkal Galleria Mall in Bhubaneswar, Crown Mall in Lucknow, and Mani Square in Kolkata. These are all new generation stores designed to offer our customers a wonderful shopping experience and are on track to be EBITDA positive within the first quarter of the openings.

We continue to remain debt-free and in order to increase our growth momentum, we will open 23 new locations in Quarter 4, of which, 4 will be department stores, 11 beauty doors and stores, and 8 airport stores from our internal accruals. This will bring the total openings in 2019 - 2020 to 51, of which, 12 will be department stores, 29 will be beauty stores and doors, 2 Arcelia stores and 8 airport stores.

We are making strong traction on our four strategic pillars. During the quarter, we continued to focus on customer experience by adding 290,000 new First Citizen loyalty customers, which is 32% higher year-on-year. Our First Citizen Loyalty Program contributed to 84% of the revenue for the quarter versus 79% last year. The company also added 5,200 Black Card customers in the last quarter, taking the count to 11,000.

Continuing our focus on providing a delightful customer service, our one-of-its-kind Personal Shopper program grew by 5% and posted a revenue contribution of 14%. More important though, is our measure of quality customer engagement, which had an excellent CSAT score of 93%, underpinning customer’s affinity to the service we are providing.

Our third pillar beauty grew by 9.6% on a year-to-year basis. We are confident that the growth momentum will continue in the forthcoming quarters on the back of new stores and upgrading the beauty experience in our existing stores.

Our private brands mix is at 12%. Now with all the required infrastructure in place and a strengthened team, we are expecting higher traction in the coming seasons.

A quick update on the three enablers to our four pillar strategy:

Technology is our first pillar enabler. SAP will go live in Quarter 1, 2021. Our loyalty engine for First Citizen Gravity will go live also in quarter one 2021.

X-store rollout to provide a better shopping experience is ongoing and will be completed by end of this quarter. And the Hybris upgrade for our e-commerce platform has been completed.

On omni-channel, our mix is 1.6%. We now have 8 stores on EDR connection with Amazon, which are gaining traction quickly in terms of sales. We continue to focus on digital path of purchase for our customers.

On financial resources, we continue to remain debt-free and have the resources to manage our expansion and pipeline of new stores along with renovations of our existing stores.

In the quarter, the company added 5 Hamleys toy shops to further strengthen our offering in the kids section, taking the total count to 19 locations across Shoppers Stop stores in 13 cities. As we focus on delighting our customers with new experiences.

I have shared the highlights of Quarter 3, and we’ll be happy to take questions now. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We will take our first question from the line of Avi Mehta from India Infoline. Please go ahead.

Avi Mehta: Sir, just one clarification. The LTL for this quarter is minus 1 or plus 1? I am sorry, because is if there is a divergence between that, so I just wanted to kind of clarify that.

Rajiv Suri: It is plus 1.

Avi Mehta: Sir, in that when we started the quarter, we had seen a pick-up in the festive season. So could you just help understand monthly trend? And how it is been? And also give us a sense on how fourth quarter has been? And how would you kind of look at the ongoing quarter?

Rajiv Suri: So sales for the month of October started quite strongly at about 15.6%. But that was primarily due to a shift in the season. And as a consequence, when the season shifted, November was down minus 12.9% and December was flat, which sort of ended at roughly 1% like-for-like growth.

Avi Mehta: And sir, the fourth quarter, how do you see and any kind of, how do you expect this quarter, how is it trending? Is demand picking up at status quo?

Rajiv Suri: The market remains quite subdued as yet and we will probably expect low single-digit LTL growth from the Quarter 4.

Moderator: Thank you. We will take our next question from the line of Priyanka Trivedi from Antique Stock. Please go ahead.

Priyanka Trivedi: Yes. I just wanted to know how the private label has done in comparison to the last year.

Rajiv Suri: So the private brands performance similar to the company performance has been flat on last year and the mix is around 12%.

Rajiv Suri: And in comparison to margins like, how are they panned out?

Rajiv Suri: We do not disclose margins separately for private brands or other categories. And we are disclosing them for the company as a whole. And the company is pretty much flat on last year.

Priyanka Trivedi: Okay. And sir, what would be a store expansion plan for FY 2021?

Rajiv Suri: On FY 2021 plans, we will divulge those when we have the April call. We are working through our budget process right now. And we should be ready when we have our next con call to give you guidance on next financial year’s openings.

Moderator: Thank you. We will take our next question, which is a follow-up from Avi Mehta from India Infoline. Please go ahead.

Avi Mehta: Hi, sir. Just you highlighted at the start of the call that you have been able to contain LTL costs. Could you kind of run us through the cost control initiatives that you have done because it has been commendable given the healthy store additions that you maintain margins?

Karunakaran M.: Okay. Avi, there are two cost initiatives we have done, one on the employment and the other is on zero based budgeting. On the employment cost, we worked on the productivity per employee on each store and then found out wherever we can meaningfully deploy the workforce and other sources maybe could do that. So that is one of the reason, where you see the total overall decline in LTL employment cost. And other cost, as I said we are working on zero based budgeting along with a consultant. We have seen a significant progress on that. So we are questioning each and every cost and understand like where we can reduce that. Like, for example, in case of lease rentals, what should be the mixed increase or whether the present lease rental is in comparison to market rate of rentals, so we worked on each and every cost, there are around 16 to 17 buckets of cost, we worked on that. And there are others, like electricity, we are working the total electricity cost through artificial intelligence and IoT. So there are number of things. We are working on that cost and that is the reason you find the overall cost is lower than the last year.

Avi Mehta: But how should I look at it? I know, you do not give a same-store margin. But just of increase point of view, how much throughput were you able to drive? Would you able to share that? Because you just said it was lower, but given that LTL was plus 1, was there 20 bps - 30 bps expansion that you were able to drive through from this? Just trying to kind of or what is the inflation level in cost that you were able to kind of exactly get through in terms of reduction number?

Karunakaran M.: So, Avi, I mean I think you said that. Like, normally, we do not give the margins, what is LTL and what is new stores. Yes, overall, you are aware that new stores are slightly margin decretive, whereas the LTL stores are margin accretive. Let us talk offline, if you see we need any particular detail, I can talk to you.

Avi Mehta: Okay, sir. And sir, second thing is, given this and given your expectation of SSS growth, which you kind of highlighted, would it be fair to argue that margins should expand, because you have been able to maintain margins, despite this? And the measure that you indicated are more structural rather than cyclical. Is that a fair understanding that if that were to come through margin will expand?

Karunakaran M.: You are talking about EBITDA margin or gross margin?

Avi Mehta: Yes, EBITDA margin, sir.

Karunakaran M.: Yes. For this fiscal, I do not want to give a guidance, Avi. But the margin expansion should be slightly lower, because we are also -- like, Rajiv just now said, we have opened 8 stores and we are opening another four stores. So all these stores are low EBITDA accretive. But it will take some time to get the same margin out of the existing stores. This year, we would expect marginal expansion on the EBITDA margin. But overall, it should improve the next year onwards.

Avi Mehta: But fourth quarter, you should see that and that will kind of give us a sense on how these benefits are accruing through. Would that be a fair way to kind of say it?

Rajiv Suri: Yes. I think by the end of the year, we should probably get to 30 bps to 40 bps in EBITDA in the next year.

Karunakaran M.: Next year.

Avi Mehta: Okay, 30 bps - 40 bps. And lastly, sir, related to the budget, there was this increase in custom duty on imported toys. I just wanted to, I know, it is a very small share, but just want to understand is there any other impact that we might have missed beyond this that we have on our operations? Or if you could kind of just comment on that?

Rajiv Suri: We do not think there is going to be any impact to our business on this. I mean, toys is roughly 0.6% of our sales.

Avi Mehta: Okay. so not negligible is what…

Rajiv Suri: And some of including some of that is sourced domestically. So I do not think it will have any impact to our business.

Moderator: Thank you. Our next question is from the line of Alok Shah from Edelweiss. Please go ahead.

Alok Shah: Two questions with respect to the store expansion. So firstly, it is very heartening to see strong store expansion pace, especially after a lull of few years. My question is that with regards to this fast expansion, what would be the two - three key parameters that you will be sort of monitoring every month so as to assure that, while the footfalls could be going down, but the ASP is higher? And in the current market context, how are you also fighting in terms of competition with the other departmental stores while you are expanding? And secondly related to that is that this year the expansion would be quite fast. Would it be sufficient to say that you will monitor these stores for the next six months before sort of thinking of expanding into such a fast leap in FY 2021? Thank you.

Rajiv Suri: So I think that two or three things. One is before we started the expansion, we did a lot of research with our customers, and we got designers to design these stores as I mentioned our next generation stores. The reaction from customers has been extremely positive on these stores. Secondly, we are focusing a lot on Tier-II cities, where we are finding a fantastic reaction from our customers and these stores are becoming profitable very quickly. We believe we have the formula right both in terms of customer offering and customer experience. And during this year, the store openings have given us confidence that we can start to use our internal accruals to accelerate. And therefore, we will continue this expansion into the next year without a six month pause as you were sort of mentioning, mainly because of the known results in the last sort of few months of when we have opened these stores. We are of course monitoring our return on investment and we are also monitoring the EBITDA and the performance. But most importantly, I think the customers are reacting well and all these eight stores will be EBITDA positive in the first quarter. And I think that they will build up strongly. So the pipeline will continue and we will not pause in the expansion.

Moderator: Thank you. Our next question is from the line Ranjana Chabbria from ITI Capital. Please go ahead.

Ranjana Chabbria: Hi, sir. My question is on your private label's front. So we have seen a comprehensive range in our private label. Should we plan on expanding that further by launching new trends on this?

Rajiv Suri: So I think our objective in the coming 12 months is to improve the quality and value and design of our existing brands. We would like to increase the number of drops, the sell-through and the GMROFs and that is going to be our focus in the coming 12 months. And I think once we are ready then we will look at new brands. But I think there is a lot to do currently with our existing brands and in their positioning in terms of price, value and increasing their own categories, so adding essentials and other things within what we own today rather than adding new brands. So at the moment, we will not be adding new brands. But improving the performance of our existing brands.

Moderator: Thank you. Our next question is from the line of Gaurav Jogani from Axis Bank. Please go ahead.

Gaurav Jogani: Sir, my first question is in regard to the CAPEX like these store opening, what would be CAPEX for FY 2020?

Rajiv Suri: So our CAPEX for this financial year is going to be about Rs. 190 crores. And this includes renovations, new stores, as well as IT investments, which we spoke about, which is a big transformation we are doing internally for our future growth and others in terms of LED lighting and improving those aesthetics in our stores.

Gaurav Jogani: Sure. And sir, my second question is with regards to the expansion in the gross margin. So sir, you mentioned that the private label mix was 6% and despite that, we saw smart gross margin expansion. So what led to that?

Rajiv Suri: So private brands mix is 12% and gross margin percentage is flat on last year.

Karunakaran M.: 10 basis points, simply.

Rajiv Suri: 10 basis points, simply.

Gaurav Jogani: Yes, sir. So my point is that what has led to that? I mean, so what was leading to that?

Karunakaran M.: You are talking to about 10 basis points?

Gaurav Jogani: No. Sir, because if you see we have adjusted for the number in the IndAS number, the gross margin expansion seems to be higher as compared, if we compare it to the non-GAAP numbers.

Karunakaran M.: Yes. See, precisely, the reason we have given the non-GAAP numbers because GAAP numbers considered the sales, which are made through SOR, sale or return basis. Only the margin is considered as a margin. So compared to last year, the number of suppliers who are in SOR business have increased and that is the reason you see a margin of 140 basis points increase. That’s not the right comparison. Please compare the non-GAAP numbers and what they have given, that is a like-for-like comparison where we have an increase of gross margin by 10 basis points.

Gaurav Jogani: Sure. And sir, the third question dwell onto is, sir, in terms of the beauty, we have seen you have added 4 more brands in this particular quarter, the store expansion is also quite healthy there. So what’s the medium to mid-term target in the terms of beauty with the overall contribution to sales, margins any color you can give in that?

Rajiv Suri: So at the moment, we are continuing to grow in beauty and open new stores and add new brands. And our new format, Arcelia, which we have tested is quite successful and also has -- is EBITDA positive, when we opened the first store. What we really like to do is test four or five more Arcelia stores before we decide on accelerating the concept. And if that is successful in becoming, let us say, financial year then from the following year, we can accelerate quite fast the Arcelia expansion in relation to our department stores giving us a more dominant market share in the beauty market segment.

Gaurav Jogani: Sir, my question was more like, do you see a deep contribution of beauty to the overall sales increasing meaningfully in the next two years to three years or four years - five years maybe?

Rajiv Suri: So if you see our last quarter, our mix was about 17% as compared to 16% in the previous quarter. So therefore, the growth is disproportionate to the rest of it. I mean even if you see last quarter growth, beauty was at roughly 9% growth for last quarter. So as it is growing faster than the rest of the mix therefore, the mix of beauty is going to get more and more as you go along.

Gaurav Jogani: Sure. And sir, one last question is with regards to the SSSG. Sir, so we have seen quite dramatic addition to the over a number of stores this particular year. So now these new stores will actually scale up going ahead. So the following years, can you see the SSSG meaningfully will be the high-to-low double-digit kind of trajectory?

Rajiv Suri: I think that the weightage of the new store will still take some time to kick in because we have a lot of legacy stores, which have been, therefore, a long time and a large chain of stores. But we will have to review it also in terms of the market condition, in terms of where we are from season-to-season. So I think it is a bit early to say what will be the impact of it, except for the fact that there will certainly be a positive impact for it in the coming years.

Moderator: Thank you. Our next question is from the Ali Asgar Shakir from Motilal Oswal Securities. Please go ahead.

Ali Asgar Shakir: I have two - three questions. First is on this size of stores. Now, when I see your store addition apart from Gurgaon, all the other stores additions have been about 35,000 square feet store size typically versus our average of about close to 50,000 store size. So first of all, is this intentional that you are now looking to add store of the slightly lower size? And then, how does this help your productivity store economics? And does is also give you the chance to increase your reach, given that you could probably now go to much smaller town because of relatively lower store size? If you can just comment on this?

Rajiv Suri: I think, if you look at it, the story in Lucknow is at 36,000 feet; Pune is at 35,000 feet. The only one which was small and when we say small roughly 20,000 was Seawoods and Bhubaneshwar also was 37,500 square feet. So I think that, we tested the 20,000 square foot concept, it has been hugely successful. In fact, the customer reaction was much better than we were expecting, which gives us opportunities actually to use this concept to go to catchment areas, where we are not present or we are finding real estate is difficult at 40,000 in probably Tier-I cities or outskirts of Tier-I cities or in catchment areas in Tier-I cities because with traffic conditions Tier-I cities are becoming more and more community and catchment shopping other than mega store shopping that people travel in 15 kilometers to go for shopping. So it adds another dimension to our expansion, it also gives us opportunities to get into high end malls where typically we may not have gone in. And it gives us flexibility for growth, although our sweet spot in size remains somewhere between 30,000 square foot and 40,000 square foot. So then we can offer full variety of assortment or products to our customers. But you are right that give us flexibility.

Ali Asgar Shakir: And also, if you can comment how that does help your productivity, probably or maybe your store economics, if this provide you better store economics? I mean I am also talking from the point of view actually the sweet spot that you mentioned between 30,000 square foot to 40,000 square foot that itself is actually lower than your average store size about 50,000 square foot on the overall portfolio.

Rajiv Suri: So I think, I mean the Seawoods is the example, it is still early days, and we have been open like maybe a couple of months. But the productivity of that is roughly 50% higher than our normal store productivity. So that gives us good confidence that it is going to get -- it is a formula that will work for us, the EBITDA will be double-digit. So again, the economics are better in a smaller store. But that is in a mall, which means that a customer, when they come to a mall, will get a wider assortment of everything they need. So we will have to take this case-by-case, because it is a smaller model in a Tier-II city, where we are the large anchor tenant then I think in that place, we will still need to be somewhere around 40,000 square foot or between 30,000 square foot to 40,000 square foot to 45,000 square foot, so that we can provide a proper assortment and we have an anchor to attract the customers from our competitors.

Ali Asgar Shakir: Okay. And that is useful and I am very encouraged actually by this significant improvement that you are talking about in terms of the store economics. The second question on this private label, so you did discuss about Arcelia and how we are trying to strategies on that? I was just thinking about kind of portfolio increase in private label that we have done in this interim season And I think, we were supposed to have a launch in Spring Summer 2020. So how is that coming along? And should we expecting some bump-up in your share, given the kind of efforts and initiatives and expansion in private label that we have done in the past few months?

Rajiv Suri: So I think that you are right. We have launched exclusive brands like, Nayomi, we imported, we got the license for Jones New York, and we launched GLAM Lifestyle with Disha Patani. So we have done some work in terms of improving our portfolio of brands. But I think the main focus now rather than getting more brands is to improve the productivity in the existing brands, because every time we bring a new brand, we have to give it space and take away from branded portfolio. So our focus in the next financial year is to improve the existing business in its current space. So we make it more profitable not only from a margin point of view, but from a productivity point of view for the whole company. And I think, we are also looking at the positioning of all these brands and we are going to rationalize the positioning to be more value than mid-priced and we think that is going to take us about year in the transition. We really believe that we would like to complement the brand rather than compete with the brands. And therefore, we are going to focus more on essentials and on price value with the team.

Ali Asgar Shakir: So any comment on SS 2020, which should start reflecting in fourth quarter? And over a year or two years' time, should this 12% has the potential to go to like maybe say like maybe high-teens or maybe 20% that range?

Rajiv Suri: So I would say we would probably look at it year-by-year, but definitely, we are aiming for a double-digit growth for private brands from sort of autumn - winter 2020 onwards. And I think that will be when the team sort of brings out its first newly aligned strategy. So autumn -winter 2020 onwards, we are going to run for double-digit growth. But as a percentage, it is still quite smaller double-digit growth each year, it will not give us 19% in two years. It will probably give us 19 odd percent in maybe three years to four years, probably four years. But you have to get in fact that in our case as compared to the competition, our non-apparel sales are very high, so at 35% non-apparel sales we are already -- we are looking at roughly 65% of our business, which should have private brands. And category-by-category, we are looking at it. We have a very aggressive target for kids. In ethnic, we are already at roughly 48% private brands. So kids and women, western wear is where we are putting our focus in the next 12 months.

Ali Asgar Shakir: Okay. This is very useful. Just last question on the footfall and the confidence on that from the store addition point of view. So question is you know in footfall in this has sort of been flattish, if you can actually give us the exact number. I was thinking about 110 million what are the exact numbers. This decline of some about 10% I think from Q2 and the point I want to understand from you is that despite about seven - eight store addition that we have seen in this quarter, footfall has remained flat. So maybe from per square feet this footfall would have declined?

Context where your footfalls are declining, I know that we are trying to address that from or rather improve our ASPs and transaction size to offset this. But given that it is still a falling number and you do not know where the bottom is, then in that context from how do we have the confidence in new store addition that we are seeing, maybe the store economics may not go haywire because of this declining footfall? I am just trying to understand, is this declining footfall something to really worry about even from a new store addition point of view?

Rajiv Suri: So I think that the footfall is something, which is impacting most retailers and it is always going to remain hanging question in the industry. But I think we have some plans in place. We have also understand that two or three things. One is that our footfall numbers are being impacted by some of our old legacy stores, which are standalone stores. And if you go to break up the performance and maybe offline, with Karuna, you can sit on between stores which are new and which are old, you will find the footfall is not declining that much and thus like-for-like sales are quite healthy. But having said that, what we are really looking for is to continue to grow the business and the new stores are in good performing malls and in towns where we have not been present for some time or first time and those we have no issues in expecting any problem there. We have opened stores before also in Tier-II cities and they continue to perform. I think in the state capitals, also we are finding that there is a very good reaction but other thing what we are doing right now is that a lot of our footfall measurement has been manual. So you see the security guards with the clickers who are counting the footfall. So currently, we have undertaken a project to automate that. We have signed with a company and we are working on changing that to go to automated way and we have currently done about 45 stores where it has already been implemented and the balance 45 is ongoing I think in the next two months - three months, we are going to have those also done. So we will have in the next few months, some numbers which will not be like-for-like because manual versus electronic. But I think that eventually, we will get to a time that we will have very accurate information. So I think that while still remain hanging question, we have plans in place for micro marketing and we are looking at shopping centers and we are looking at our share of footfall within shopping centers and looking at that very closely. So we are quite confident about the new stores. In Tier-II cities, we are very confident about their performance and we have plans to work with our First Citizen customers. If you look at our repeat purchases, they have gone from 64% to 68%. And if you look at our overall performance, it is now at 84% with First Citizens. So we are getting them back and we are working on the wardrobe share with our First Citizen customers. So I think that even though footfall will remain a question, we have enough plans to mitigate any risk to our company for that.

Ali Asgar Shakir: Okay, sir. Got it. This is very helpful. Just one quick follow-up, so, can one say that if I eliminate the legacy--

Karunakaran M.: Ali, Karuna here. Ali, there are quite a few other guys are there in the queue, if you do not mind.

Moderator: Thank you. Our next question is from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: Most of my questions have been answered. I just wanted to know how much would be the gross margin differential between let us say, a private brand and other brands?

Rajiv Suri: Normally, we do not disclose it. Again, it is at about mid-single-digits, Sagar.

Sagar Parekh: Okay. So mid-single-digit as in let us say that gross margin of other brand is 40%, so our private brands would be somewhere around 45% to 46%, 5% - 6% would be the gross margin differential, approximately?

Rajiv Suri: It is mid double-digits.

Karunakaran M.: Mid double-digits.

Rajiv Suri: We do not disclose the margins of brands and private brand separately, because this is a confidential information.

Moderator: Thank you. Our next question is from the line of Ankit Kedia from PhillipCapital. Please go ahead.

Ankit Kedia: Sir, could you help us understand the profitability and store economics of airport stores, given that we are going to open 8 airport stores in next quarter?

Rajiv Suri: Yes. In airport stores, two or three things that these are usually more profitable than the city stores for two reasons, one is the sales per square foot is roughly four times that of a typical store outside in the cities. Mainly coming from two parts, one is that the location of course and the airports are smaller by nature of the space and being inside in the airport, which are four times the SPSF, we are able to achieve a higher profitability. Secondly, it is very good for our brands from the exposure point of view, we have a captive audience there and also the brands knowingly are giving the differential margins for the airports because of the cost of doing business in the airports is higher than the city, because stores sometimes are open for much longer hours, sometimes for 24 hours. But mainly, the stores would be more profitable than the city, of course.

Ankit Kedia: And sir, these 8 stores would be in eight different airports or pretty much you know we have different stores in same like the Bangalore Airport, if you go you have multiple stores in Bangalore Airport itself. So would it be something like that?

Rajiv Suri: We are opening 6 in Hyderabad and we are opening 2 in Bangalore.

Ankit Kedia: Sure. Sir, my second question would be on the store closures. Are we behind with all the store closures and what was the positive EBITDA impact in the quarter because of the loss-making store closures?

Rajiv Suri: So during the financial year, we will be closing 4 department stores, which were all loss making stores and they will all add to a positive impact to our EBITDA.

Ankit Kedia: Sir, could you quantify the impact?

Management: Ankit, this was not to because these are all again confidential numbers. We do not normally disclose store based profitability. Yes, it should add the overall EBITDA margins by say, in the single-digit bps. I do not want to add anything more in that.

Ankit Kedia: Sure. And sir, my last question is on the subsidiary. We have seen a strong EBITDA performance on either the Amazon tie-up subsidiary or the Crossword. So could you just throw some light on both of these subsidiaries? How the Amazon is deal going through and are we now 100% live and how is the performance? Secondly, we had a new CEO in Crossword. So what is the strategy to grow Crossword?

Rajiv Suri: I will start first with Amazon. So with Amazon, we have tested last quarter to go live that good all our store inventory through EDI connected to Amazon. We now currently have 8 stores connected and reaction from customers has been very positive and we are now getting in some of the stores about 100 orders a day. And in one or two cases gone up to 400 orders a day. So that has been quite successful and we are working now to see how we can try to grow that further. And next quarter, we will probably add another 6 stores to 8 stores. So I think that is going very well for us. We are the first large format store Amazon has done an EDI connection with. So we are very positive with that. As regards Crossword, we recently concluded the strategy for Crossword and the broad theme is becoming an indispensable part of the child's journey from being a kid to a parent and the levers for growth and right to win and how to win have been identified. We have strengthened the team and we are planning to test a new format stores in FY 2021 and then we are expecting that to have a turnaround and become profitable.

Moderator: Thank you. The next question is from the line of Govind Saboo from India Nivesh. Please go ahead.

Govind Saboo: Sir, I have two - three questions regarding the beauty stores. Out of 135 beauty stores, how much would be the standalone stores and how many would be shopping store?

Rajiv Suri: So we will have currently 2 store, which are Arcelia and for the rest is roughly about 67%, will be standalone and 33% will be shopping shops.

Govind Saboo: And what would be the general economics of standalone beauty store because in terms of CAPEX and sales per square feet?

Rajiv Suri: So I think, the formats are non-comparable, so I do not think we can compare our department store with the beauty store because the size which is the 500 square foot versus 40,000 square foot. But at least say that stores are profitable and they are double-digit EBITDA in most cases.

Govind Saboo: Okay. And what would be the CAPEX?

Rajiv Suri: Again, we do not disclose it by brand. So we do have as you know multiple brands where we have M.A.C or Bobbi Brown, CLINIQUE, Jo Malone and all have different sizes and different CAPEX structures.

Govind Saboo: And sir, approximately sales per square foot, would it be more than as compared to a department store because it is a costly item?

Rajiv Suri: Yes. Certainly, but it will be at least 2.5x.

Govind Saboo: 2.5 times, okay.

Moderator: Thank you. Our next question is from the line of Varun Singh from IDBI Capital. Please go ahead.

Varun Singh: Sir, just want to understand that what are you doing in the non-private label side of the business, which is our core business, the branded part? So similar to the private label like, where we are here done a lot of structural changes in terms of the approach. What are we doing in the branded piece if you would like to highlight something?

Rajiv Suri: So as regards the branded part of the business, we are doing two things. One is that brands which are not performed as you saw in Quarter 3, we exited about 36 brands, which included apparel and non-apparel brands. We gave more space to the best performing brands. So that the customer experience can get better and that they are placed well to serve the customers. And secondly, in our private brands, sorry, in the branded business, we have now spoken to leading brands, national brands to have exclusive line for Shoppers Stop, as we believe that our customers would like to differentiate assortment. So with the top, with some of the leading brands about 10% of the collection today is exclusive to Shoppers Stop and we are going to continue to work in that direction, so that we have differentiated assortment for our company.

Varun Singh: Sir, and any change in the way we were buying products for our store at store level, product assortment strategy if you would like to highlight something?

Rajiv Suri: Yes. So the assortment is now being worked on a catchment basis rather than on a national basis. So for example, Juhu assortment would be different from Thane would be different from Vashi and based on the catchment area and the approval index, the component of premiumization and luxury would be managed based on the customers in that community and catchment.

Varun Singh: Sure, sir. And sir, just last question that how are we competing in Crossword with the online players. For example, Amazon, Flipkart have been giving straight toward 25% - 30% discount on book, whereas we do not give a similar amount of discount in a Crossword. So I mean, how do we plan to fight competition from these players?

Rajiv Suri: So I think that the current business already factors in the Amazon and Flipkart sales. What we have learned from our experience and from our customers is that the children section and the kids section has remained largely unaffected by online sales. And therefore, as you may have heard earlier, we are putting our strategy in place to put the kids' books and the kids experience in the heart of the shopping for Crossword. And we believe that, it will hold us in good state as we go long into the business. Our share of books is roughly about 53%, which is a strong amount of sales. And we also have 47% from associated non-books items in the store. And lastly, we have a loyalty card and we are offering customer experience and touch and feel that the online players are unable to offer.

Varun Singh: And sir, kids would continue roughly how much percentage to our total book sale, it booked?

Rajiv Suri: Sorry.

Varun Singh: Sir, kids book would be continuing, roughly how much percentage to our total 53% book that have selling in Crossword?

Rajiv Suri: 20% to 25%.

Moderator: Thank you. Our next question is from the line of Nirav Savai from JM Financial. Please go ahead.

Nirav Savai: So my question was regarding our ASP, which has gone up by 2.3% this quarter on a Y-o-Y basis. So given the kind of challenging environment we are going through and heavy discounting in brands, how difficult was it to get to?

Rajiv Suri: I think that, when we talk to our consumers and customers they are asking for premiumization in our assortment. And what is helping us is to bring in brands that are premium in specific catchment areas and our contribution on BTL brands continues to grow. And I think that what we are seeing is ASP increases more on the brand mix on BTL brands and also as our proportion of beauty we are also seeing a higher increase in our ASP.

Moderator: Sir, there are no further questions from the participants. I now hand the floor back to Mr. Rajiv Suri for closing comments. Over to you, sir.

Rajiv Suri: Thank you for attending the Quarter 3 earnings call for Shoppers Stop, and we look forward to speaking you at the next call. Thank you.

Karunakaran M.: Thank you

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of Shoppers Stop Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.