

SEC/17/2021-22

May 26, 2021

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001. Stock Code : 532638	National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051. Stock Symbol : SHOPERSTOP
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Dear Sir/Madam,

Sub: Earnings Conference Call – Q4FY21 & FY 21

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company had filled its letter ref. no. SEC/17/2021-22 dated May 20, 2021, in respect of the analyst / investors conference call on **Monday, May 24, 2021 12:00 noon IST** to discuss the corporate performance for the quarter and financial year ended March 31, 2021.

In respect of the same and as required under Regulation 46, we are pleased to submit herewith the transcript of the earnings conference call so held on May 24, 2021. The same is simultaneously being made available on the website of the Company.

Kindly take the same on records.

Thank you.

Yours faithfully,

For Shoppers Stop Limited

Vijay Kumar
Gupta

Digitally signed by
Vijay Kumar Gupta
Date: 2021.05.26
17:09:30 +05'30'

Vijay Kumar Gupta

Head Legal, Company Secretary & Compliance Officer

Encl: aa

Shoppers Stop Ltd.

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SHOPPERS STOP

**“Shoppers Stop Limited Q4 FY-21 Earnings
Conference Call”**

May 24, 2021

SHOPPERS STOP



**MANAGEMENT: MR. VENUGOPAL NAIR – CUSTOMER CARE ASSOCIATE
& MANAGING DIRECTOR & CEO, SHOPPERS STOP
LIMITED**

**MR. KARUNAKARAN MOHANASUNDARAM –
CUSTOMER CARE ASSOCIATE & CHIEF FINANCIAL
OFFICER, SHOPPERS SHOP LIMITED**

**MR. JAIPRAKASH MAHESHWARI – CUSTOMER CARE
ASSOCIATE, VICE PRESIDENT (FINANCE &
ACCOUNTS), SHOPPERS SHOP LIMITED**

MODERATOR: MR. GAURAV JOGANI – AXIS CAPITAL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Shoppers Stop Limited Q4 FY21 earnings conference call hosted by Axis Capital Limited. As a reminder, all participants' 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 '*' then '0' on your touchtone phone. 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 Ayesha. On behalf of Axis Capital, I would like to welcome you all to Shoppers Stop Q4 FY21 earnings conference call. From the management we have with us today Mr. Venugopal Nair – Customer Care Associate, Managing Director & CEO; Mr. Karunakaran Mohanasundaram – Customer Care Associate and Chief Financial Officer; Mr. Jaiprakash Maheshwari – Customer Care Associate & Vice President (Finance and Accounts).

I would like to hand over the call to the management for their opening remarks and then we can open it for the Q&A. Thank you and over to you, Sir.

Venugopal Nair: Good afternoon friends. I do hope that you and your loved ones are safe and keeping well in this exceptionally trying times. I am painfully aware the last two months were the toughest for many. We wish a speedy recovery to those who are battling this virus, immense gratitude to all the people who are standing up against the adversaries and are fighting tirelessly to help keep others safe, especially our frontline heroes.

I, on behalf of Shoppers Stop, would like to express our heartfelt condolences to those who have lost loved ones. I would also like to thank every member of Shoppers Stop, including the brand associates for their relentless commitment and dedication in these difficult circumstances. Adversity, they say is a true test of character and I am absolutely certain the country will come out stronger.

Before I talk about performance, please note that our results, including quarterly and full year, press release and investor presentations are available on our website. I hope you have had a chance to browse through the highlights of the performance.

The agenda of today's call will be as follows:

First macro indicators and COVID, second our performance in Q4, followed by our performance on strategic pillars and finally the way forward for FY22 and Q1 in particular.

Let me start with the macro indicators:

It's more than a year since the outbreak of COVID-19 in India, but the pandemic is not over yet as we all know. When I spoke to you last time, we imagined that we are being done with this crisis, but the crisis is surely not done with us. We had a total of less than 200,000 cases four months back and we thought we had sight of the silver lining on the horizon with the vaccination

drive, but we are faced once again with the resurgence of this virus. We had over 300,000 cases a day for many days in April and May and the total cases exceeding 4 million. Once again, a ray of hope is that presently the cases are declining and have now fallen well below 300,000 and the recovery is greater than the number of cases infected in India. The government and other municipal authorities are rightfully resorting to micro containments to restrict the spread of the virus. As I speak to you, a large part of India is still in lockdown. Mobility is dipping in several cities as people confine themselves to their homes. There are uncertainties and we have no control on some of these. We need to bring down the infection rate under control permanently for a meaningful recovery. A big silver lining during these critical times is the availability of the vaccine and the vaccination drive that has started across all the states. States and civic bodies are now directly procuring vaccines to ensure that our people are fully vaccinated. Central and state governments are working overtime to have production increase besides supplementing these with imports. I am sure each and every one of you, including your family members would get vaccinated as soon as possible. I am confident the Indian economy will come out better post the crisis as the other indicators such as agricultural output, monsoon, demand of commodities, etc., are better than expectations. The Central Bank in its recent policy has incentivized banks to extend swift credit to important sectors including small and medium enterprises. This will help the economy to recover, and we are confident from Q2 the momentum will start.

Now I will turn on Shopper Stop's performance for Q4:

We had witnessed the highest sales recovery of 90% in Q4. We recorded sales of Rs. 825 crores. Our gross margin improved by 190 basis points. Our EBITDA profit of Rs. 11 crores versus a loss of Rs. 17 crores in FY20. Our footfall was 5% in Q1, 19% in Q2, 50% in Q3 and 83% in Q4, until the second wave of COVID impacted the footfall in the second half of March. As I said before, footfall has considerably improved in our non-metro stores. The East region outperformed other zones recording growth. Our non-metro stores also performed exceptionally well. Incidentally, our non-metro stores grew 4% in Q4 as against a decline of 18% in Metro cities.

We continue to benefit from our customers constant shift to Omni Channel, choosing to engage with us both online and offline including their preferences with the help of our personal shopper assistance. Our sales growth of 188% through digital channels gives us immense confidence in our continuing shift to become an Omni Channel retailer.

We observed significant improvement in our other KPIs too. Our customers have increased their shopping time with us. Consequently, the transaction size increased 6.2% for the quarter and 6.7% for the full year. Items per basket or per ticket increased by 14.6% and 15.2% for the full year. We observed better sales trajectory in a number of our product categories, including kids, denim, women's western wear, home, intimate apparels for both men and women and even a moderate growth in formal wear.

Now let me talk about our strategic pillars including Omni Channel:

Before I talk about every pillar, I am extremely glad to inform you that our performance has been exceptionally good in all our strategic pillars. We have been continuously exceeding our targets. As I have been saying in the last two quarters, the last one year has seen a paradigm shift in the way we operate. It has highlighted agility and resilience to reach our customers. A year before many wouldn't have anticipated the role of Omni Channel or e-commerce as it is today. Omni Channel has become the channel of choice for many customers. A strong focus on building a portfolio fit for this channel, building capabilities, and driving everyday great execution resulted in growing 188% or three times from this channel on a year-on-year basis. Our contribution, which was a mere circa 1.5%, has now consistently increased to 6% and above. We have been improving our customer interface and experience on our app and website and we are satisfied with the progress that we are making over the last 12 months. As mentioned in the call from the previous quarter, we are the first Indian retail company to implement a S/4HANA and currently implementing the retail and finance modules of S/4HANA in the second phase of this project. Our delivery turnaround time reduced to circa 3.8 days on e-commerce. Our customer satisfaction has been consistent at over 4.5. During the quarter, we have improved our fulfillment parameters by changing the allocation logic, leading to improved turnaround time and lower costs. Our goal is to have the best experience in Omni. We have introduced new brands exclusively for Omni during the quarter. Consequently, we have improved in almost every key parameter, such as customer eyeballs, orders, and transaction value. Our average transaction value is one of the highest in multi category e-commerce and we attract a premium customer base online, just like in our department stores. Our average daily traffic is in excess of 300,000. More importantly our First Citizen contribution in Omni has now reached 40% and the repurchase frequency is now at 60%. In many of the parameters we are ahead of most of the fully online companies.

On the strategic pillar of beauty:

I said last time we have Mac.in and now we have added Estee Lauder and Clinique in May. We have new beauty experiences with virtual makeup and virtual skin analyzer launched in February. Our sales performance in the marketplace via Amazon is consistent. All of these factors helped us to make a quantum jump on our E-com sales. Our E-com sales for the second consecutive quarter is in triple digit growth and for the quarter grew by 188% of last year, nearly three times.

I'll now move on to our next strategic pillar of First Citizen:

Our First Citizen sales continue to contribute bulk of our sales. For this quarter, our First Citizens contributed to 72% of our sales as against 76% last year. The marginal dip is primarily due to COVID impacting the sales in Q4. We had new enrolments of 106,000, with average ticket size increasing 1% versus last year. In our annual subscription program, Black Card, which is a premium service, our enrolment increased by 172% or three times over last year. Our sales to Black Card members increased by 117% or doubled. Our store managers are personally assigned to Black Card members to further enhance this exclusive shopping experience on this annual

subscription program of ours. On Omni, our contribution from First Citizen increased from mere 20% to 40%.

On Personal Shoppers:

Our Personal Shopper's contribution has been consistent even during these critical times. They contributed 15% of the revenue with an average ticket size of 2.6 times higher. Our White Glove and Yellow Messenger Services are being appreciated as one of a kind by our customers. We had more than 1.1 million calls through our customers and they contributed 2% of our sales. Our Endless Aisle with the help of these Personal Shoppers, now contribute to 31% of our Omni Channel sales.

I will now move on to our strategic pillar of private brands:

Our private brand volume grew by 38% and overall sales grew by 11.5% versus a 10% decline in the overall company sales. This is the second consecutive quarter wherein we have registered volume growth. We have significantly improved our fashion quotient relevant to latest trends besides upgrading the quality of our merchandise. We have also simplified the price matrix. Our customers are recognizing the improvements that have been made offering great fashion, quality at affordable price points. We have launched ALTLIFE - Athleisure for men and women and the brand INSENSE in sleepwear and a number of products in the kid's category. Our investments in private brands have now started to yield results. Our First Citizen contribution to private brands is the same as the chain, indicating customer confidence in our private brands. Our private brand share in Omni Channel continues to be higher than the overall business.

Now moving on to our strategic pillar of beauty:

Again, similar to private brands, our beauty business continues to remain strong and the beauty mix sustaining at circa 17%. Beauty category recovered to better than chain average growth in February and March, with makeovers being allowed from February until the middle of March. Our state-of-the-art luxury, Arcelia Store sales are ahead of the company with average bill value higher by more than 70%. Our Arcelia private brand has continued to exceed budget and now is now the second highest in sales value across Bath and Body brands. As I said before, the two Arcelia stores opened during the pre-COVID times have delivered the KPIs and we are planning a mass rollout for the same this year and the next.

I will now talk briefly about the full-year performance summary:

For the full year of FY21 we have exceeded our internal target. Our Chairman, Mr. Nagesh in the first quarter had said that we will save Rs. 450 crores on cost. With the concerted efforts of the team, I am happy to inform that we saved Rs. 433 crores versus last year, despite additional costs owing to 11 new stores that had opened in FY20. We continue to be debt-free and there is continued focus on cash conservation across the company with cash and bank deposits.

I will now move on and talk about Q1 of FY22 and the way forward:

We believe the COVID impact will continue for this quarter and the next. We have sufficient cash reserves to manage during this crisis. The pandemic has tested the world in ways few anticipated. They also tested the resilience of our business, character of our people, agility of our operations and the depth of our financial strength. While this has not been an easy year it has made us a stronger business, which is better prepared for the vagaries of the fast-changing world. Our people will always be our biggest asset and ensuring the safety and wellbeing will always remain our topmost priority. At our company we will start vaccinating all our employees. We are reasonably confident our majority of the employees would be vaccinated in the immediate future. We pride ourselves in operating a lean and cost-efficient business model. Our team delivered significant cost savings which we are continuing forward. We continue to evaluate variabilizing cost structures and eliminating costs which do not offer much value to the customers to generate more fuel for growth. We will continue to invest in Omni, primarily in improving the customer experience. We have now begun the second phase of the upgrade of our Shoppers Stop app with a complete redesign of the customer interface, analytics, and personalization. We believe we can now grow profitably in the near short term. While balancing cost and cash we will continue to look for growth opportunities and invest in the right ROI model. This will enable us to grow the business and strengthen the same. We expect the COVID impact to reduce during Q2 and we are planning to open new stores, as that happens. If all goes well, we should open 20 stores across all formats in this financial year. We have also identified some existing non-profitable stores, which may further close two to three stores in the next quarter. This exercise will ensure that our chain continues to be more productive. Our safety measures for customers, employees, and all stakeholders will continue.

Once again. I thank you for attending this call and wish you and your family to stay safe.

Moderator:

Thank you very much. We will allow begin the question-and-answer session.

Venugopal Nair:

I'll just read out the questions that have come to us and either Karuna or me will answer based on the questions.

The first one we have is breakup of exceptional items in Q4, is that Crossword impairment only. What about the tax benefit on this impairment?

Karunakaran M:

We will not get any tax benefit for the impairment because and even that's to happen to get the tax benefits. It's just a provision in our books, so we will not get any tax benefits. The impairment is only for the Crossword.

Venugopal Nair:

The second question is on the private brand mix. As per the presentation on-site in Q4 FY20 is 12% and this quarter FY21 is 13%. So, growth should be 100 basis points and not 250 basis points.

Our growth on private brands is 250 basis points and the reason it is that way, because last year the base or the denominator was only department store sales, whereas from this year it is on a company level including home stop and e-commerce which had not been included the last year and also beauty. If actually we were to look at the contribution of private brands purely on the same basis as last year, then the overall contribution would be even higher than what we have stated.

Next one is on new store opening 20 plus stores which I have just stated again, does this include beauty stores also or is it only Shoppers Stop?

This includes beauty as well. 10 Shoppers Stop stores and the balance Arcelia/Beauty is what we are planning to add.

Next one is on what will the same stores serve sales growth for Q4? Same stores like-for-like sales was a decline of (-) 10.7%. Employee costs and other expenses have reduced by 13% year-on-year. Please explain what has changed.

Karunakaran M:

Thanks, Venu. See, in the last three quarters, we did talk about the three major factors. One, the employee cost optimization that gave us the benefit in Q4 also. Second, our admin operating expenses, where we are very lean on that. Third of course, part of the lease rentals also helped us in the overall savings. To just to summarize its employee cost, our operating expenses, and the lease rentals.

Venugopal Nair:

The next one is on COVID. Due to the second wave when do you expect retail industry to return to normal in this financial year?

We expect the impact to be for a finite period. As as you all know, what's different between the first wave and the second wave or last year and this year, is the availability of the vaccine and the aggressive vaccination drive that is happening. Given that on a daily basis, the number of people getting vaccinated is on the rise, we expect that from beginning of Q2 onwards we should start to see a healthy recovery and that will continue beyond Q2 and onto Q3.

I'll move to the next question. New store target for FY22 is 20 plus. Do you think this number is feasible as COVID cases remain elevated and lockdowns keep getting extended delaying construction activities?

Stores will be open subject to alignment on lease costs and CAPEX with the developers. We will closely monitor and watch the situation and we will open as the recovery of COVID happens. We do believe that there is a strong likelihood of us being able to achieve this number because a number of the stores, a majority of the 20 stores that we talked about are in various stages of development already.

Moving onto the next question. 80% of our catalogue is available on e-com. Do we expect this to touch 100% by Q1 FY22? What category of items are not available currently?

Yes, we expect catalogue to be at (+) 90% of our store range and there is a lot of work happening in the background to make sure that we are able to launch options online and in stores at the same time. None of our new category is missing incomplete. Where there are gaps, its small portions of it, rather than a whole category not being available. In addition, actually even today we have (+) 100 online exclusive brands, and we plan and expect to expand this even further, which means that our catalog on online will be significantly bigger than what we have in our stores and this is something which we will continue to grow.

Moving on to the next question, cost savings for FY22, what areas specifically will rentals be the majority driver for this?

Karunakaran M: Venu spoke in detail about the savings for last year as well as the investments what we are planning for this year. If you are comparing the savings versus FY20, savings may accrue in employee cost, the least rentals, and operating expenses. It's bit early right now because only two months have elapsed, and we are reasonably confident the stores will start operating from June or at best from July. Yes, but the savings will happen in all the three heads that is, employee cost, lease, and operating expenses.

Those were the questions that we had received in advance. We can now move on to questions from the call itself.

Moderator: Thank you very much. The first question is from the line of Nihal Jham from Edelweiss.

Nihal Jham: Two questions from my side, in the last call obviously you did give a lot of granularity on a tie-up with Amazon, if it's possible just to give an update on some of those key parameters how they are progressing starting with the number of stores that are onboarding and also on the SKUs and delivery plan?

Venugopal Nair: You said two questions. Do you want to wait for the second one or you want to get on?

Nihal Jham: I will wait for the second one after the Amazon thing.

Venugopal Nair: The question I assume, the line was not fully clear, but I understood so it's about the tie-up with Amazon and how's is that progressing? So, it's progressing well. We have 50 stores which are now tied-up with Amazon and we have now got a consistent level of business from Amazon. About 20% of our online sales comes through that channel. Further, we are consistently achieving the 99% CPT that is expected to be achieved and that is something we are extremely proud of, because the target of achieving a 99% CPT for orders received within 24 hours is quite tough and I am proud to say that the team has done a fantastic job of managing this and making it happen consistently over the last two quarters ever since we went live on Amazon. In terms of the number of options, all the options that are available on in-stores is also available on Amazon.

Nihal Jham: If I may, what would be the number of SKUs approximately that we have on the Amazon website?

- Venugopal Nair:** The number of SKUs I don't want to give a number purely because it would vary depending on the time of the season, because as you know we are aiming and we are moving towards monthly launches and we have got newness coming into stores all the time and as that happens, the number of SKUs does vary. Our aim is that all the options which are available in the store, we would aim to have all of that available on Amazon also so that any customer visiting Amazon gets the full breadth of what we have in our stores. There would be probably a few exceptions where a brand may not want to be on Amazon and those are the only ones which would not be there. But other than that, everything is there.
- Nihal Jham:** One follow-up on that as we notice that in the last few quarters the number of stores that we have tied-up on Amazon are 50, is it that the others 30 or 31 are still work in progress or those are not stores that we plan to among those on Amazon website?
- Venugopal Nair:** The way we have chosen the stores is to cater to the cities that we are in. Adding multiple stores in the same city does not necessarily give any incremental benefit. The whole purpose of adding stores onto Amazon is so that we are able to cater to a city. That is the reason that we have chosen 50, as you know we are in 40 plus cities that we are present in and hence the 50 stores that we have effectively caters to pretty much every city that we are present in.
- Nihal Jham:** Just one last question from my side. On the private label side, it is commendable that we have seen the increase in our share and one thing that you have consistently highlighted is in terms of launching new collection which looks a price more towards the value side. Other than this, are there any more initiatives that you want to highlight on what has been done in the private level over the last year?
- Venugopal Nair:** There are a number of other initiatives which we are working on and we will share with you on those in the coming quarters as we roll them out. What I can say for sure is that this is a big area of focus for us. It is one of our key strategic pillars as we have consistently mentioned over the last few quarters. There is a lot of work happening in the area to grow it as we move forward. I already talked about launching Athleisure and INSENSE, Athleisure for men's and women's and INSENSE for sleepwear. We have also, to enable the monthly launches that we are moving towards, we have tied up with a UK based design house specifically for the women's western wear range and that is helping us tremendously to sharpen our range and also bring in the latest fashion trends into our stores at the same time as the rest of the world. There are a few other initiatives which are in progress and we will share that in the coming quarters.
- Moderator:** The next question is from the line of Kaustubh Pawaskar from Sharekhan by BNK Paribas.
- Kaustubh Pawaskar** I just have one question on the private label. What is the repeat purchases at your private label brands?
- Venugopal Nair:** What is the question Kaustabh?

- Kaustubh Pawaskar:** Repeat purchases, like for example, you have for First Citizen, what is the repeat purchases or repeat sales on private label brands?
- Venugopal Nair:** Kaustubh, I might not have the exact number to hand, but if I were to draw our First Citizen customers and majority of our sales comes through the First Citizen customers as you are aware, within our First Citizen customers, for the quarter 60% of our sales came through repeat purchase from First Citizen customers. And we also know that the private label performance or the contribution of private label from First Citizen is pretty much the same as the rest of the business, with online being actually slightly higher. So, I would suspect that private brand repeat purchase would be upwards of 60%.
- Kaustubh Pawaskar:** On cost savings I think you mentioned that what would be your three focus areas. In FY21 there was saving of more than 430 crores. This year any particular target you have in mind or time will tell that how you are planning further?
- Karunakaran M:** Kaustubh, I think you have the answer in your question. We have already saved Rs. 433 crores in FY20 and we will see how FY22 pans out and we will also explore whether there is any further savings vis-à-vis FY21 is possible or not. In fact, Venu in his speech has already said that we are variablising every cost so that whenever the sale comes on, we have the ability to cut down the cost. Yes, 433 has been already done, anything higher than that would be difficult, but we are still exploring that.
- Kaustubh Pawaskar:** The last one question, the disruption is more towards closure of these stores, anything on consumer psyche because that gives you a confidence that you are saying that you are seeing a sharp recovery from FY22. So, anything from consumer psyche or mindset point of view that whether they would be definitely looking at purchasing once these stores are open or something on that front, basically from demand side?
- Venugopal Nair:** Let me try and answer that Kaustubh. If we go back to the first wave which we had last year and then as stores started to open, what we had seen that while online continued to stay strong, the footfall into the stores also continued to grow month-on-month, getting up to what we had shared Q4 we got to 83% of the previous year. And what we did see was that every single month there was growth over the corresponding month in the previous year. That gives us a bit of an indication in terms of how consumers behave once the economy opens up. We have also got indications coming in from the western world where the second wave happened a little earlier than what it has happened in India and we see reports of strong sales and footfalls coming back into stores. However, what we do also see is that there is change in consumer behavior, and we expect to see that we are already seeing that. There is move towards more casual wear, more at leisure, fitness, home, and these are categories where we have also pivoted towards. And going back to first principles, we cater to our customer's needs and we aim to stay ahead of what our customers are looking for, and that's the way we would continue to move. And hence, we believe as the impact of the COVID keeps coming down footfalls in the stores will recover even as online continues to grow. And our physical presence combined with online puts us in a pivotal position to be a true Omni Channel retailer which is where we are moving towards.

- Moderator:** The next question is from the line of Binoy Jariwala from Sunidhi Securities and Finance Limited.
- Binoy Jariwala:** The first question is on the cost savings program. We have done about 433 crores and we have maintained in the past that about 200 crores would be sustainable. Is there any change to that? And within the cost savings program is it possible to split how much came from lease rentals?
- Karunakaran M:** Almost slightly less than one-third came from lease rentals, and the two-thirds came from salary and other operating costs. As we said last time, 200 crores will be sustained. We don't foresee any issues on that. On a like-to-like basis we will definitely save 200 crores.
- Binoy Jariwala:** And relating to this, you have also said that some of this cost savings would be ploughed back into the business. So, just a clarification, that were you indicating ploughing back into the business in terms of CAPEX or would it be in terms of some additional OPEX?
- Karunakaran M:** It will be primarily in OPEX. There are two areas where we are focusing, one, our Omni, particularly the pay cost and the overall the other costs in operating Omni. So, we are planning to invest a sizeable sum, we are still working on that. And second one, on marketing. Last year if you have seen our marketing was significantly lower but as we expand both offline and online and the Omni, we need to spend some amount on the in-marketing. So, those are the two investments were talking about.
- Binoy Jariwala:** My next question is, in one of the calls I think Q1 or Q2 call, you said that the breakeven level of sales for us on annualized basis is roughly about 3600-3700 crores ballpark. Now I just wanting to understand, how are we looking at this level of breakeven sales which seems to be quite high and is there any steps to further lower this threshold that we need to achieve just to breakeven at a PBT level?
- Karunakaran M:** See, the amount may not be 3600, it may be slightly lower than that amount. But given the fact the fixed cost what we have on the margins what we earn, it will be more or less close to that range. It will be definitely lower than 3600. We are working towards it, but it will not be significantly lower.
- Binoy Jariwala:** And related to this, two main line items, our gross margin should be roughly about 32% or 33% odd? Is that the steady-state gross margin? And the second point, just a clarification that, these are the non-GAAP numbers that I am talking of, this time our depreciation was roughly about 35 odd crores seems to be lower. So, is that the steady-state deprecation for quarter that I should be looking at going forward?
- Karunakaran M:** Answer to your second question, the depreciation will be anywhere between 30 to 35 crores per quarter way forward, unless we have significant number of new stores then obviously the depreciation will go above. But on a present state, it will be anywhere between 30 to 35 crores. And your gross margin is more or less right, probably if the private brand mix goes up the margins will be slightly higher than 33%.

- Binoy Jariwala:** Now my last question is on our CAPEX plan. One is, that we have done a CAPEX of roughly about 82 crores in FY21. Just if you could highlight which are the areas in which we incurred this CAPEX for FY21, because when I look at the retail area addition, it's roughly about flattish on a YoY basis and the store count is down. So, maybe we have added, and we have closed some stores and there could be some CAPEX on Omni channel. So, if you could just help me with that. And the second part on the CAPEX was specifically for venue, coming to FY22, we are looking to add about 20 stores, 10 which is Shoppers Stop and 10 odd in Arcelia format. Now, in the past we have indicated our move towards these smaller sized stores, that's 20,000-30,000 square feet odd size stores. So, these Shoppers Stop, these 10 stores would be the smaller format stores? And second is that these stores addition, now are we looking to tilt or balance our portfolio mix a little bit more in terms of split between malls and standalone stores, because right now it's heavily tilted towards the malls.
- Karunakaran M:** Binoy, what I will do, I will answer the first question and Venu will take the second one. On the total CAPEX spent, we spent about 57 crores, not 80 odd crores. I mean, if you have that number, we can talk offline and we can reconcile that number. But as per us, we have spent 57 crores on CAPEX. See, we did open one new store in Lucknow last year, sometime in June or July. So, primarily we spent round about one-fourth of the amount on that. The balance amount is primarily on the e-com, as I said some of the CAPEX we made on the e-comm and likely because we also capitalize the F4 last year in the month of June. So, these are the two large items we spent on the CAPEX.
- Venugopal Nair:** Binoy, on the store portfolio, you are absolutely right that we have tightened standardized the store sizes and our average store size has come down. It is between 25000 to 30000 square feet that we look at. And also, the ones that we are going into predominantly we are going into newer cities where we are not present which helps to expand our reach and that is one major criteria. And finally, also we are looking for greater partnership and participation from our landlords or developers to help us with the overall investment. And as we do that, obviously what we are able to do is to increase our reach and get into parts of the country where we are not present even as it is a much more efficient model that we go with.
- Binoy Jariwala:** So, anything on the malls and standalone stores or will there be more stores in malls, standalone stores, how should I think of that?
- Venugopal Nair:** We go into a combination of standalone and malls. And first principle is about having a location which is right for the customer and where the customer is available. S, we are not hard and fast that we would do only malls or we would do only standalones. The location is what drives that decision.
- Karunakaran M:** Binoy, if you don't mind, there are others in the queue.
- Moderator:** The next question is from the line of Ankit Kedia from PhillipCapital.

- Ankit Kedia:** My first question is on, revenue recovery. This quarter we have seen non-metros actually post a positive growth compared to metros. Now with COVID cases now in non-metros compared to metros and malls, municipalities and cities might open, malls slightly later compared to standalone stores, what happened in wave one, what gives us confidence that from Q2 onwards we could see a full recovery in revenues, apart from the vaccination drive?
- Venugopal Nair:** Ankit, if I understood right, your question is around the non-metro versus metro?
- Karunakaran M:** What Ankit is asking is, what is our confidence level to ensure that the sales will grow in non-metros as it was last year considering the number of COVID cases higher in non-metro versus metros.
- Venugopal Nair:** Obviously, the recovery does get linked very closely with the level of COVID cases and that's something which we have found. As I said earlier, the fact that there is a vaccination drive and an overdrive that is happening, that definitely helps. The second factor I think also what we should look for is the fact that our locations and whether it is a standalone or a mall, we are in large spaces with safety being right at the forefront in terms of the protocol that we follow. And because of that protocol that we do, we offer a location or an environment where customers would feel safer to come out and shop with us compared to going into a market or a regular marketplace. And that's something which we saw happen in the last quarters and that is something which we expect will continue. And hence people would prefer to come to us compared to going into other places.
- Ankit Kedia:** By when do you think, we can get a complete revenue recovery compared to FY20 this year, or it will be next year only?
- Venugopal Nair:** We expect the recovery to start from, I would say, early Q2 onwards and progressively improving into Q3 and Q4. This time Diwali and Dussehra are earlier than last year and that should also help for that curve to fasten.
- Ankit Kedia:** My second question is regarding Omni breakeven. At what revenues do you think Omni can contribute positively to the EBITDA margin given that now probably it would be breakeven or marginal losses given that you have spoken about tech cost and marketing spends on Omni as well?
- Venugopal Nair:** I think Ankit, in a way the answer lies in your question itself. When we talk of Omni Channel business, it is truly Omni, as in a combination of online and offline. It is not a multichannel and I am drawing a distinction here between Omni and offline. The reason I say that is because increasingly the journey of the customer could start offline and close online or the other way around and could be a multiple combination of those. And hence, we as a business would not look at it separately because it's become increasingly harder to attribute as to where that sale came from. I will give a simple example of Endless Aisles, where a customer has actually browsed our website, put an item in the cart and then chose to come to the store and buy it. Now, it would be very hard to classify it as offline and online, and that's the reason we would not

separate it out when we look at profitability as an Omni sales versus a store sales. It would be one business.

Ankit Kedia: That being the case then has the cost of retailing gone up because we are spending more to give the customer get a 360-degree view of the customer and be more personalized for the same wallet share. So, in the long run even if we assume 10% could be the online Omni contribution, if I use that word, and the customer acquisition cost, the migration cost of the customer being higher, so it will be more difficult for us to make the same EBITDA margins from the same customer?

Venugopal Nair: I think the assumption there that the costs would be higher is not necessarily true because your repeat costs would be much lower. And also, you wouldn't have a lease cost if you don't have a store. So, it's not a direct comparison there. And hence, being when you are truly Omni-channel, you get the benefits of both offline and online. And that is where Shoppers stop benefits significantly because of the presence of physical stores combined with online which means that our ability to serve our customer and reach our customer much faster from the physical store, as also do it at a much lower cost because of the fact that it is the same inventory which we are sharing across both online and offline. And that's a significant point. The fact that all our 87 Shoppers Stop stores and the 100 plus beauty stores are all linked to online and the inventory from all of these stores is available for our customers to shop from means that we are making use of our inventory much more effectively. The sale becomes very fungible because of that and that's why it wouldn't be right to say that the cost is higher through the digital channels.

Moderator: The next question is from the line of Anurag Jain from GLM Capital.

Anurag Jain: My question is maybe a little less optimistic. So, wanted to understand that while Q4 was good and you are EBITDA positive, Q1 may not be the case. So, my question is in terms of cash burn how long can we sustain, whatever cash burn we are having currently. And if this COVID continues, in terms of CAPEX that we are planning this year, would we be able to fund it internally with the cash balance that we have or we would come back to the market or borrow. Any thoughts on these lines would be very helpful?

Karunakaran M: Anurag, all your questions were answered by Venu in his opening speech. Your first question, the cash burn, we are assuming that the COVID will continue forever. It will not. We have seen Gujarat opening day before yesterday, Madhya Pradesh said they will start from 1st of June, we have been hearing rumors about Delhi. So, we do expect the recovery to start as quickly as possible. Venu did mentioned about the vaccination drive that the government has already taken. So, it's sort of a very-very hypothetical question, what happens if the COVID continues for a long time. Second, you also asked about the CAPEX. Again, Venu said, if all goes well then, we will start incurring the CAPEX. Obviously, if the COVID continues, our CAPEX plan will also be deferred.

Venugopal Nair: And as I said in my remarks, Anurag, conserving cash is obviously the number one objective and focus at this point in time. And we will keep reviewing that based on how the COVID progresses.

- Anurag Jain:** So, we would not need to come to the market, that's the only question, the bottom line?
- Karunakaran M:** As of now we don't have any such plans, Anurag.
- Moderator:** The next question is from the line of Devika Singh from Money Control.
- Devika Singh:** My questions are mostly around your online exclusive private brands. You shared that you have (+) 100 online exclusive private brands. I am correct on that number?
- Venugopal Nair:** Yes.
- Devika Singh:** I wanted to understand which are the main categories in which these private brands have been launched? And going ahead how many more private brands are you going to launch, maybe let's say in the next quarter?
- Venugopal Nair:** When we said we have over 100 brands which are online exclusive, what I meant to say is that these are available only online and not offline. So, they are exclusive to online for Shoppers Stop.
- Devika Singh:** So, these are not all private brands is what you mean, some of these are private brands with some mix of brands as well as other brands?
- Venugopal Nair:** No. Sorry if I gave you the wrong impression. That's not what I meant. What I meant was we have over (+) 100 brands, which are exclusively available on Shoppers Stop online, but not in the Shoppers Stop stores. And specifically answering the question of the number of options that are available online and highlighting the fact that we have a much wider choice available to our customers online compared to the stores.
- Devika Singh:** But then are these your private brands or are these brands that you have tied up with other manufacturers? These are private brands that we are talking about, that's just available online on your store.
- Venugopal Nair:** It could be a combination of various brands.
- Devika Singh:** Which are the categories which is the focus when it comes to these brands online which are available exclusively?
- Venugopal Nair:** It's across all the categories that we retail, Devika.
- Devika Singh:** Second question, given that for almost two months now, this quarter for two months almost your sales have suffered due to lockdowns, I am talking about the first quarter of FY22, how much of a hit are you expecting for this quarter going ahead?

- Venugopal Nair:** You know that we normally don't give any guidelines, Devika. All I can tell you is it will be better than last year. That's the only thing we can say right now. But we don't normally give any guidelines because it all depends on how June is going to be and how many stores are going to be opened. Because we don't have any control on that right now. So, let's wait for June and then probably you can see our numbers.
- Moderator:** The next question is from the line of Gaurav Jogani from Axis Capital.
- Gaurav Jogani:** My question is with regards to the previous question only. What are the main categories that you are seeing, main traction on the online channel? While your mix could be different on the offline, how different is it on the online channel and which categories are seeing more traction?
- Venugopal Nair:** Primarily the category performance online mirrors what we see offline. Of course, there are variations, and I will take that back to another point which I had mentioned in my earlier talk. We see that our average bill values are significantly higher than what a pure online company sees. And one of the reasons for that is because of the high trust that customers have on Shoppers Stop. And because of that, brands which have higher unit values, we find customers prefer to shop with us because of the fact that they can trust the authenticity of the brand that they are buying, because of the fact that there is also the convenience of being able to go into a physical store and either check the product before they buy, or even after sales in terms of if there are any issues, etc., they feel a lot more comfortable buying with us. So, we do see that higher value products customers tend to prefer us compared to a number of the other brands. In terms of specific categories, the overall mix tends to be very similar to what we see in our stores.
- Gaurav Jogani:** So, the reason why I asked this question is just to gauge because you said the basket size is higher, so are we also seeing the products which are primarily high gross margins, like beauty or maybe private brands having higher traction there and that maybe given in the margin profile higher in the Omni Channel?
- Karunakaran M:** Unfortunately, we could not hear you clearly.
- Gaurav Jogani:** What I was asking was that because of the higher basket value that we are having on the online channel and maybe the share of the beauty, the private brands would be higher because of that. So, is the gross margin then higher in the online channel?
- Venugopal Nair:** If I rephrase your question or just repeat your question, what you are saying is, is the gross margin higher online than offline? Is that what you are asking?
- Gaurav Jogani:** Yes.
- Venugopal Nair:** So, I'll again go back to what I said, answering a different question, Gaurav. When we are looking at Omni Channel business, it won't be right to classify sales specifically to one channel and look at margins specifically for one channel because the customer journey begins online,

finishes offline or vice versa, or a combination of both channels. And hence, we don't necessarily look at it specifically that way.

Gaurav Jogani: My last question is with regards to the CAPEX that we are looking for this particular year. Assuming that we go ahead with the plans of 20 stores that we are having right now? And that would be the final question from me.

Venugopal Nair: Sorry Gaurav, again we could not hear a word of what you said.

Gaurav Jogani: I will repeat it again. So, I was asking about the CAPEX that we are envisaging barring that we are doing (+) 20 crores this particular year.

Karunakaran M: Gaurav, if all goes well, we should incur the CAPEX for all those 20 stores. Plus, we also have some investments in Nike as well as in e-comm. So, all of those things will happen, but as Venu rightly said, if all goes well, Yes, the CAPEX will be there, we are expecting anywhere in the range of 80 to 100 crores. But let's see, how the economy progresses.

Moderator: The next question is from the line of Binoy Jariwala from Sunidhi Securities and Finance Ltd.

Binoy Jariwala: My question is on inventory provisioning. Did we need to provision anything in Quarter 4?

Karunakaran M: You mean last Quarter 4 you are talking about?

Binoy Jariwala: I mean Quarter 4 FY21, did we need to provision any inventory?

Karunakaran M: Binoy, as a policy, we have an immediate provisioning policy and based on the policy we keep providing every quarter depending upon the age of the inventory.

Binoy Jariwala: But there was no accelerated provision required maybe due to business conditions or anything like that, right? This is just the ongoing provisioning that keeps on happening every year.

Karunakaran M: Absolutely right. See, do remember that almost 70% of the inventory is on returnable basis. So, the question of making a provision on the returnable inventory doesn't arise at all.

Binoy Jariwala: My last question is on the store reduction plan that we said. So, this 80-100 crores that we are saying, if all goes well, would be funded from internal cash approvals, right?

Karunakaran M: Yes. Just to give you other one on inventory, if you have seen the overall inventory has significantly reduced compared to the last inventory, particularly if you see the outright inventory, we have reduced more than 200 crores in the last one year.

Binoy Jariwala: Is this also a function that now we will be operating stores with much lower inventory. Should I also look into it like this?

- Venugopal Nair:** Yes, absolutely. A big part of what we did across, the planning for that had happened in Q3 and it was executed in Q4, was to relook and rationalize the offering that we have in stores and as a part of that, we have actually brought down the level of inventory in our stores by as much as 25% to 30%. And you would see that if you go into our stores as and when they start to open, the level of inventory has come down and the sole purpose of making the customer journey a lot more smooth and shoppable. Also having more turns in terms of getting newness into the store more often and that way, every time a customer walks into the store they are more than likely to find something fresh, something new, something different, and that's what encourages, and drives repeat purchase. So that's what we have been doing. So, fundamentally we brought inventory down significantly in the last quarter and we continue to monitor and maintain that as we go forward.
- Binoy Jariwala:** My last question is if I may be allowed. In the previous con call, we said that we are looking at hitting FY19 sales run rate by Quarter 2 or Quarter 3 of FY22. Do we still maintain, let's say ballpark Quarter 3 should be a good enough quarter to achieve FY19 sales run rate?
- Venugopal Nair:** I guess at this point in time that would be a bit difficult to predict going forward because that would also depend on when the recovery begins to start. As I said, we expect the recovery to start sometime in Q2, but the trajectory of that is something which we would like to wait and watch before we comment on that. Fair enough. Thank you so much. Thank you. Thank you. Go ahead. A couple of questions.
- Moderator:** The next question is from the line of Ankit Kedia from PhillipCapital.
- Ankit Kedia:** My first question was on the private label business, a very healthy volume growth of (+) 38% while the revenue growth was slightly lower than that. One, is it due to liquidation wherein we had an EOSS in Jan-Feb so there were deep discounting which drive volumes or structurally in the system we have taken a sharp price collection for a private label business and now structurally the focus would be on sub-housing 1200 crores price points which will drive volumes for the private label?
- Venugopal Nair:** So, the question Ankit, again the line was not very clear, so just to make sure that I have got your question right. Your question was on the growth in volume has happened because of discounting or because of sharpening of prices, is your question, right?
- Ankit Kedia:** Right.
- Venugopal Nair:** So, I'll speak about Q4 specifically. Q4 was as you know, a combination of the end of season sale period which was in January and some couple of weeks in February, and then the rest of it was the new season which was the launch of spring-summer 2021 that has happened. So, Q4 specifically, obviously it was a combination of discounted merchandise during the end of season sale and fresh merchandise in the post end of season sale in February and March. What we are very confident and delighted with is the growth that we have seen in the fresh merchandise when we launched the new season. And that has happened by a sharpening of the price points. The

fact that we had a 38% growth in volume and that just signifies the fact that we are...and the bulk of that, it was predominantly that level of growth in volume was maintained and if anything accelerated into March when it was all full priced merchandise that were pretty much trading and that has happened because of the sharpening of the prices and by the sharpening of the prices, we are able to sell a lot more which means that our customers are blessing us with their business and buying a lot more from us.

Ankit Kedia: My last question is on Crossword. Are the bulk of the store closures in Crossword behind us now? What is the longer-term roadmap for Crossword as a business for Shoppers Stop?

Karunakaran M: See, we are evaluating, Ankit, on Crossword. Just to specifically answer your question, we have closed more than 15 odd stores last year. And the cost has significantly come down. In fact, we have reduced the cost more than 60% and these savings are completely sustainable. So, we do expect Crossword to break even probably if all goes well this year or at least next year, we should be well in Crossword.

Ankit Kedia: From the home shop perspective, now with home as a category this year has seen a sharp growth, all our loss-making stores were closed couple of years back. Now with 11 stores with us, from that perspective do you see a long-term business growth coming in from there? Or we are happy with our 11-store network and that will continue or in Shoppers Stop itself we are creating a small space for the home section and that will be the growth trajectory for the Home Stop?

Venugopal Nair: Home as a category, Ankit, has seen a significant growth over the last two quarters and this is something which we are quite pleased with. It is a healthy EBITDA business for us and will continue to remain a focus area. We have the 11 Home Stop stores which are the larger standalone formats, but even as we go forward, the primary aim will be to have a large home section within the existing Shoppers Stop stores so that we are offering our customers an end-to-end offering across the multiple categories that we trade in.

Karunakaran M: Thanks a lot Ankit. Gaurav, can we end the meeting if you don't mind?

Gaurav Jogani: Sure sir. If you would like to give some closing comments and then we can close the call.

Venugopal Nair: Firstly, thanks to everyone to all of those who attended and who logged in. Appreciate you spending the time with us and we hope that we have been able to answer the questions. Overall, as I said for the full year, we exceeded our internal targets. We had set an aggressive cost reduction plan at the beginning of the year and we are delighted that we have broadly achieved all of that. We as a company, continue to be debt free and in the short term the focus will continue to be on cash conservation across the company with both our cash and bank deposits. And finally, our Omni Channel business and the growth that we have seen on that is something which is propelling us towards being a truly Omni Channel retailer. The combination of the physical stores that we have along with the significant progress that we are making through our digital channel, enables us to be able to reach our customers through the choice that they make in terms of how they would like to interact with us. We have a strong business in terms of the loyal customer

base that we have, great product offering, we are a house of brands and combined with the ability for our customers to shop with us across multiple channels, makes us a very strong business going forward. Thank you very much.

Karunakaran M: Thanks a lot Gaurav. Thanks for hosting us.

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.