

**SHOPPERS STOP**

**“Shoppers Stop Limited Q2 FY 2020 Earnings  
Conference Call”**

**October 24, 2019**

**SHOPPERS STOP**



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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Shoppers Stop Limited Q2 FY 2020 Earnings Conference Call. 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 telephone. Please note that this conference is being recorded.

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

**Rajiv Suri:** Good morning and welcome everyone. Thank you for joining us at the Shoppers Stop earnings call for Quarter 2. Kindly note that the Quarter 2 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 2, Shoppers Stop reported sales of Rs.1070.3 crores, with an EBITDA of Rs. 47.3 crores. While the quarterly sales have been muted due to a subdued economy affecting our LTL performance, which stands at minus 1%, we have increased efficiencies, keeping our LTL operating costs below that of last year.

The company has added seven stores during the quarter of which one is a department store - Gaur City in Noida, and six beauty doors, taking the total footprint to 219 stores of which we have 84 department stores; 12 Home Stop stores; and 123 beauty doors across 40 cities. This is inclusive of the recently acquired franchise of three existing Jo Malone London stores in India.

We continue to remain debt free and in order to increase our growth momentum, we will open 50 stores in this financial year of which 8 to 10 will be department stores and the balance 40 will be beauty doors, our fastest expansion ever.

We are making strong traction on our four strategic pillars. During the quarter, we have continued to focus on customer experience by adding 190,000 new First Citizen loyalty customers, which is 25% higher year-on-year.

Our First Citizen loyalty program contributed to 79% of the revenue for the quarter versus 74% last year. The company has re-launched the First Citizen Black Card and enrolled 5,300 customers in the last quarter.

Continuing our focus on providing delightful customer service through our one-of-its-kind personal shopper program, which grew by 29% on a year-on-year basis and posted a revenue contribution of 16.7%.

Our third pillar, beauty, the business grew by 3.5% on a year-to-year basis and we are confident that its growth momentum will continue in the forthcoming quarters on the back of new beauty stores, upgrading beauty experience in existing stores, launching of new brands and strong omni channel support.

Our exclusive brand mix is at 12%, which is similar to that of last year. Now, that the design studio is fully operational, and with the team in place, we are expecting higher traction in the coming seasons.

In our endeavor to increase the share of private brands, the company has launched four new private and exclusive brands in Autumn-Winter 2019 viz. Jones New York, French Connection, GLAM by Disha Pattani and Back to Earth - which is our first organic sustainable brand.

Based on customer feedback, the drive for premiumization and differentiation continues. The company has launched 12 new brands, which includes global brands like Baggit, Forever New, Naomi, Kiko Milano, Hamleys, etc. of which four are exclusive to Shoppers Stop. Focusing further on our efforts on customer experience, the company exited 37 brands, 17 apparel and 20 home and enhanced spaces for top performing brands.

In the quarter, the company partnered with Hamleys toy shop to further strengthen our offering in the kids' section by opening 14 locations across Shoppers Stop stores in 11 cities, with a further rollout continuing into quarter three.

I have shared the highlights of Quarter 2 and we will be happy to take questions now. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the Question-and-Answer Session. Next question is from the line of Abnish Roy from Edelweiss. Please go ahead.

**Abnish Roy:** Yeah, thanks. My first question is in terms of the beauty business, in times of slow down internationally and within India also we see some pickup. So, do you see that happening in the coming quarter? Would this grow faster than the rest of your business? Second is on this new franchisee with your signed with Jo Malone - three outlets. How scalable is this? Because I understand this is more of the premium end and how much will be the royalty paid in this?

**Rajiv Suri:** Thank you for the question. I will just take you through both. The beauty business we believe is going to continue to have traction in Quarter 3 and 4 and beyond. It is one of our four strategic pillars and therefore, we have a focus on it. Mainly the beauty business by nature is a consumption business, so there is a higher traction for customers to come back in our stores. In addition to opening more beauty stores, as we said that in this financial year, we will open 40 doors for beauty. We've really think that like for like sales also are indication of the dominance we have in the market and we expect that to continue. In regard to our Jo Malone business you are right, it is a luxury business. Jo Malone is owned by Estée Lauder Group. So, our commercial terms are similar to that of what we have with other brands. As regards scaling it, we will open more stores depending on higher affluence index locations and possibly in our own department stores.

**Abnish Roy:** My second question is on the Amazon bit. So, you are the only retailer which is directly integrated with Amazon systems and Amazon customers have access to store inventory. Is the

benefit of this already panning out or you see that benefit actually coming in the coming quarters?

**Rajiv Suri:** So, as of now, we have got four stores live. We are going through sort of proof of concept to see how much traction we can get from this. We will be able to see perhaps some scale depending on the off-take from the customers once we have more stores because the algorithm works on price and proximity. So, we need to have more stores online for it to really become scalable. We are planning to have another five - six stores in quarter three, as well as our four DCs online with them and then depending on that, we will continue to scale this in the coming quarters.

**Abnish Roy:** And on Amazon experience center within your stores, omnistores and how has been the performance versus the initial expectation?

**Rajiv Suri:** So, the Amazon kiosk which we have the continue to remain the same, I think that what we decided was rather than just doing a kiosk, if we line up the full inventory of the stores that is probably a much more way to scale up rather than just doing kiosk in the stores.

**Abnish Roy:** And you have not expanded more experience centers, right?

**Rajiv Suri:** No, for the time being we have not because we are focusing on line of the full inventory.

**Abnish Roy:** And sir, next question is a general one. So, if you see this quarter, Q2, was one of the best ever for the multiplexes and most of the malls have both multiplex and the departmental store. So, in that context is the customer now just going to the mall and maybe seeing the movie and then coming back and not doing much of the departmental kind of shopping, maybe they are doing hyper market. Is that something which happens at the floor? So, escapism, I understand helps the movies, but why is that not having some benefit for the departmental stores because it is the same customer?

**Rajiv Suri:** So, I think that what is happening is that the shopping pattern for the festive season is sort of changing. And what we are seeing is that people are shopping much closer to the season. So, even in this case, in the festive period, we see that the take up is small and quite slow and the curve is slow and it is just few days before the season that we get a big spike in sales. So, I think that is one is that the pattern of shopping is changing. The other is that we are doing a lot of micro marketing now in order to transfer footfall from the mall to our stores. And we are hoping that that will also help us improve our footfall during the festive period.

**Moderator:** Thank you. Next question is from the line of Avi Mehta from IIFL. Please go ahead.

**Avi Mehta:** Sir, we have witnessed moderation and sales growth given obviously the weak environment has there been any improvement in the festive period? And if not or would you like to revisit your FY 2020 growth guidance of SSSG of mid-to high-single digits?

- Rajiv Suri:** So, if you look at purely festive to festive, in Pujo against the comparable period, we grew about 8.5%. And in Diwali we are tracking currently at 2.3% and I am hoping that in the past few days, we will have more traction and the last five days specifically have been quite fantastic.
- Avi Mehta:** So, the guidance is sir, should we maintain a mid to single digit kind of expectation?
- Rajiv Suri:** I think that what we would like to do, considering the major economy slowdown, aim for mid-single digit, considering where we are at the current year.
- Avi Mehta:** No, fair enough, sir. And secondly, against our guidance, of 80 bps expansion, would we also retain that or because you know first-half, obviously, it is related to your initiatives clearly are helping in this weak environment but on the margin front. But given the weak environment should we even revisit that as well?
- Karunakaran M.:** Avi, Karuna here, I hope you can hear me. Right now we are still working on the guidance, we prefer not to give any guidance at the EBITDA. I think Rajiv clearly said that. There are a number of factors, how the economy will shape up post Diwali. So, we need to assess those things before we give a guidance. So, right now, we are not giving any guidance on the EBITDA.
- Avi Mehta:** Okay, fair enough. And lastly, sir, CAPEX you have clearly shown a very, bullish outlook on adding stores. Just wanted to understand if you could give any more color on how should we look at this 8 to 10 store edition as we go forward in Q3 or Q4 and also on those 40 beauty doors and the likely CAPEX for this?
- Rajiv Suri:** So, our total CAPEX for the year is looking like about Rs. 150 crores, which we will spend partly on new stores, which we are planning to open to increase the momentum of our growth, plus another part of our business is our existing chain and I think we are spending almost a similar amount of money to refurbish and upgrade experience in our stores. In Quarter 3, we will open approximately four to five department stores. And then the balance three to four we will open in Quarter 4.
- Avi Mehta:** And sir, would it be fair that the Rs. 98 crores we spend in the first-half essentially indicates that for some of these stores most of the work is done and hence, you have a fair visibility on that. Is that how it will be?
- Rajiv Suri:** Yes, so in most of the locations, we have funded some sort of work in them. The only time we would miss the number of stores opening would be if the mall did not operate. But from our side, we are very much on track with these stores and in some of the malls are actually operation mall. So, there should be no reason why we would not open in this financial year.
- Moderator:** Thank you. Next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.

- Shalini Gupta:** Sir, I just wanted to understand. If you could please explain the revenue of non-GAAP financial declined is 0.5% and GAAP financials is 2.2%. So, if you could just explain why there is a difference on the top-line?
- Karunakaran M.:** So, last time also we said that Shalini because there is an accounting standard IndAS 115. If there is a consignment vendor, we normally do not include the sales, we only include the income from the consignment vendor, whom we call an SOR vendor. So, these vendors change from quarter-to-quarter. For example somebody will be there last year and somebody else will be there this year. What happened last year was that it was the first year, so we had considered them as normal vendors. But sometimes the agreement changes. So, that is the reason there is a GAAP between GAAP and non-GAAP revenue.
- Shalini Gupta:** Okay. And sir, the GAAP financials number is a little different from the revenue in the reported number, about I think Rs. 20 crores roughly. So, I mean, why is this different?
- Rajiv Suri:** Sorry, can you repeat the question again, we lost you.
- Shalini Gupta:** Sir, in the GAAP financials reported as per your presentation, the top line is Rs. 845 crores and the number that is reported for the quarter in the BSE release is Rs. 866 crores. So, roughly around Rs. 20 crores. So, why is this different?
- Rajiv Suri:** This an accounting change under GAAP. So, Shalini, I could not get the numbers, the GAAP financials revenue from sales is 845 and other income is 18 crores so Rs. 863 crores.
- Shalini Gupta:** Yes, but, I am saying forget the other income, just the top line Rs. 845 crores versus Rs. 866 crores, so roughly around Rs. 20 crores.
- Rajiv Suri:** No, where you are getting this Rs. 866 crores?
- Shalini Gupta:** From the results that have been released to the stock exchange, sir.
- Karunakaran M.:** This is on account of mix change of SOR vendors to the overall vendors. So, basically few of the vendors who used to supply on say out right basis last year if promoted to SOR then we tend to use top-line for the reporting purpose and the margins are directly added into the total margins. So, I would say it is purely on account of the mix change year-on-year of the SOR suppliers.
- Shalini Gupta:** Yes, sir. Under what circumstance would a vendor shift to being a consignment vendor, is basically the question.
- Karunakaran M.:** This is an ongoing business. So, at any point of time, depending on commercial agreement, depending on when we add new brands and when we drop brands. This is always going to change. It is not static. And you know, like we have reported this time, we dropped 37 brands, we have added 12 brands. So, this is going to be a continuous change and it depends on the commercial agreement. So, based on that, the number you should be looking at is the impact on

the margin. So, if the margins are more or less in line with the top line, you should not have issue because the difference is, we are putting, in this case, the profit we make or the margin we make rather than the sales. So, the that number remains constant.

**Shalini Gupta:** And sir, if you could go to Page Number #22 of the Presentation. So, I mean you have tried to reconcile the non-GAAP PBT with the GAAP PBT. But I mean the non-GAAP PBT is Rs. 18 crores. And PBT as for GAAP you said is Rs. 9 crores whereas the presentation says Rs. 20 crores. So, I am a bit, I am a bit confused now.

**Karunakaran M.:** Yeah, Shalini, we will come back to you. Before the end of the call, we will come back to you.

**Moderator:** Thank you. Next question is from the line of Riken Goswami from Infina Finance. Please go ahead.

**Riken Goswami:** Sir, I just have one question. With regards to the private label if you could highlight how is it done versus last year in this quarter?

**Karunakaran M.:** So, the performance of private brand has been similar to the rest of the company and the four new brands which we are launched have been very recent with Autumn-Winter. So, three were launched in September and one was launched earlier in October. So, I think that we will get some results on these four brands. And even these four brands are at the moment open only in 20 doors each to test it because when the brand is new, you do not want to launch it across a large part of the chain. By but in each seasons in Spring Summer 20 we will increase the number of doors and then we will see how that plays out.

**Riken Goswami:** Understood. So, for the quarter what I should read is that as a percentage of the revenue it has remained similar to the same quarter last year?

**Karunakaran M.:** Yes.

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

**Ankit Kedia:** Sir, while we are guiding for 8 to 10 departmental stores and 40 beauty stores, could you help us understand how many store closures would also happen given that even this quarter I believe we have had three beauty store closures.

**Karunakaran M.:** Yes. So, in terms of our department stores we will be closing three department stores and these are all loss making stores and underperforming so we have taken a conscious call that while we are trying to improve the customer experience, we need to open new stores as well as discontinue stores which are not profitable. We will close two in Quarter 3, we will close one in Quarter 4 and this will be all EBITDA accretive.

**Ankit Kedia:** Sure. And on the beauty stores format, sir?

- Karunakaran M.:** On the beauty store, we have no plans to close any stores in this financial year.
- Ankit Kedia:** Sure. My second question is on the other income. Have we changed the classification of other income because I guess this includes more First Citizen enrollment income and advertising and holding income in store because on quarter-on-quarter basis and year-on-year basis, we have seen a steep jump.
- Karunakaran M.:** On other income if you see the non-GAAP financial last year is 14.8 and this year is 14.5 this is absolutely comparable. This includes as you rightly said SOH and First Citizen card income. And if you can see the GAAP financial you are right, there is almost an increase of about Rs. 12 crores because of IndAS 116 adjustments at the beginning of the year. What we took is we took the RPU assets and RPU liability and the difference we took to the reserves. The DTA effect, we adjusted in the results because the tax rates have come down. So, that impact has come in both in PBT and because of the stores we are going to close it down we have reserve that amount, and that amount has come in the other income.
- Ankit Kedia:** So, sir, can you quantify that? How much is a one-time other income this time?
- Karunakaran M.:** Again, I am repeating, it is only in GAAP financial which is Rs. 12 crores, so that is the reason we have given the difference between GAAP and non-GAAP it is like rows in GAAP financials one-time.
- Ankit Kedia:** One-time, sure sir. And sir, my last question is on the tax rate, while we will take the government's 25% tax rate, we have seen reversal of deferred tax. So, for the full year what is the tax rate we should model?
- Karunakaran M.:** See, our tax rate, we are as you rightly said we will follow 25 point once a month, what government has given excluding the DTA adjustment to this primarily because of IndAS 116 our effective tax rate should be in the range of 26% to 26.2%
- Moderator:** Thank you. Next question is from the line of Avi Mehta from IIFL. Please go ahead.
- Avi Mehta:** Just wanted to understand, we have grown 37 brands is this exercise largely done or are we still looking at more brands?
- Rajiv Suri:** So, I, so I think that this is going to be constant and brands, which either do not fit our strategy or the consumers are not reacting well to will be joined and new brands will be added and this is going to be our constant strive in our premiumization of Shoppers Stop and differentiation from our peers.
- Avi Mehta:** And just this 37 is including the 25 that you close, you had indicated that you would look to phase out?
- Rajiv Suri:** Yes, so that 25 number has gone up.



**Avi Mehta:** That 25 number, okay, so that is the way. And sir, any on your strategic levers one of them is private label that you have clearly highlighted, what kind of growth do you see playing out in this year and or is it more like our initiatives will play out in more FY 2021 is when we should kind of that build that in?

**Rajiv Suri:** Yes, so I think that the first thing we are doing is launching these new brands, as well as we are trying to upgrade the design of our existing ones. The impact is going to come in the coming seasons and we really do not want to do at this point, until we get a customer reaction to our collections give any guidance on the next coming seasons on this.

**Avi Mehta:** Okay, sir.

**Rajiv Suri:** Having said that the design studio is fully operational. I think some of your colleagues have visited our design studio and had to walk around. We also have a sampling unit up and running. We have a testing labs, labs up and running. So, from an infrastructure as well as a resourcing point of view, I think we are in place.

**Avi Mehta:** We did have a chance to see that and we really appreciated that but I just wanted to understand, you know, from an expectation point of view, I just wanted to get your sense.

**Rajiv Suri:** I think we will wait for this season to be over and then after that, I think we will start to give some guidance on that.

**Avi Mehta:** And lastly, Karuna, how would you advise us to look at other income as we go forward is this you know, this you said Rs. 12 crores out of the Rs. 18 crores I should remove Rs. 12 crores So, that run rate is the steady run in GAAP or is GAAP very, very volatile. I am just trying to kind of understand because this line item is actually not very easy to kind of I am finding it difficult to understand how to kind of look at this it could be useful, sir.

**Karunakaran M.:** Yes, Avi you are right Avi. That should be one time in some because let me take a minute and explain. So, when we converted all the leases to IndAS 116 at the beginning of the year, we did create RPL and RPA which is like the lease liability and the right used assets, okay. The difference we took it to the reserve and made adjustment to the result. So, what happens is whenever we intend to plan to close the stores or whenever we close some stores, those our RPL and RPA have to be reversed and the net has to be taken as another income. Because you know once I made the adjustment in the opening balance sheet, any adjustment that happens during the year, I have to take to the income statement. So, this should be a one-time income this Rs. 12 crores should not repeat in the GAAP statement. That is the reason we have not included in the non-GAAP statement and then we have given a non-GAAP statement excluding that.

**Avi Mehta:** No, no fair enough what I was trying to understand this Rs. 12 crores is only for stores have been closed or which are expected to be closed also, is that how we should look?

**Karunakaran M.:** Expected to be closed and expected to be closed, you are right.

- Avi Mehta:** Okay, so it is including both of them?
- Karunakaran M.:** Once we take a decision then we have to do depreciation and reverse all those charges.
- Avi Mehta:** Okay. And the Rs. 6 crores number is the more than stable state for GAAP financials to be kind of looked at.
- Karunakaran M.:** That's why absolutely right. Shalini, we did get the answer Shalini, it is 9.1. It does not include that Rs. 12 crores, what you were just talking because of the GAAP adjustment that is the reason it stands at 9 it would have been closed to Rs. 2 crores, I hope that got results. Thanks for pointing it out, we will make this revised reconciliation and load it in both BSE and our company website.
- Moderator:** Thank you. Next question is from the line of Sabyasachi Majumdar from Centrum PMS. Please go ahead.
- Sabyasachi Majumdar:** Couple of questions. One is, during the quarter, LTL growth is negative, if you could just aggregate metro and non-metro performance, how has been the performance of your metro city stores vis-à-vis non-Metro?
- Rajiv Suri:** What we like to sort of give you a flavor in terms of the mix is that our performance in North than in East continue to be like-for-like positive and where we have had the decline is mainly in the south. And in the South, we have about six stores in specific which are causing the decline and all which we will be closing three before the end of this year. So, if you see our software program is aimed at that. So on geographical business, I think that is where coming from, also we have had some renovations in a lot of the stores like I mentioned before, we are spending a lot of CAPEX on renovations, the renovated store in Delhi in Saket, in the West Bandra has gone through it and we are doing more stores, there is a combination of these which has had some impact on it.
- Sabyasachi Majumdar:** Okay, secondly, on the margin front, you mentioned that because of intense promotions during this quarter margin kind of had some pressure. Could you throw some color on the margins the promotions or the EOSS, did it get extended on hours of the competitive scenario?
- Rajiv Suri:** So, I think that the main pressure on margins has come from private brands there we have had to be more competitive in our pricing which lead to lower sort of margin by about 30 basis points. And also, that was one of the main causes of the decline.
- Sabyasachi Majumdar:** Sorry, I did not get it. I suppose the private brands are gross margin accretive I mean they have higher gross margin there are more of private brands the margins that improved.
- Karunakaran M.:** Okay, can you hear me. One, you are right. Private brands are margin accretive, when we are comparing this is last year, we had some competition and intense the discounts, that is the reason there is a 30 basis points drop on the private brand margin compared to the last year. So, that is

around 30 basis points. We had some one-off adjustment last year, so that is turn about 40 basis points. So, that is the reason you have a gap of about 70 basis points on the gross margin.

**Sabyasachi Majumdar:** What was this one-off?

**Karunakaran M.:** Not it is a one-off, I mean, it is only the period adjustments. Some of the recoveries from the vendor is happening last year in Q2 and this year it happens in Q1. So, overall it is the margins they are more or less.

**Moderator:** Thank you. Next question is from the line of Ali Asgar from Motilal Oswal Securities. Please go ahead.

**Ali Asgar:** Yes, thanks for the unfortunately. My question is on, you know, SSSG and your footfalls related footfalls. Now what we have observed from a presentation this quarter is that I mean while your ASP rates is higher and conversion rates have improved, particularly because of the strategy that we have adopted. And that has also improved our transaction. But I think this SSSG has been, you know, severely impacted because of the sharp decline that we have seen in the footfalls. Now, even in the previous quarters, our footfalls have been, you know, plateauing or declining, and this quarter, the impact is much sharper. I understand. So, just wanted to understand, you know, in the context of our guidance of this, you know, mid-single digits SSSG growth, how much of this footfall impact you think is, you know, manageable we can improve, how much of this is basically something linked to the slowdown that you highlighted and how much of this is because of the you know, e-commerce competition? So, you know, just if you can give us some broad says about, you know, is it something that is you know, recoverable by big because it is gone down by nearly 11%. If this does not improve, then I understand that the SSSG recovery will be very difficult.

**Rajiv Suri:** So, if you were to look at it, firstly I think industry wide phenomena, the footfall, so we are being affected by it. So, we acknowledge that very clearly. For us a couple of things, one is that footfall declined 10.7% we have about six stores, which have been having some external issues in terms of there either road works going on or metro works going on, or some renovations going on. So, I think that has had one impact. And the other is that action which we are taking will help us improve it. So, if you if you look back into Quarter 2, we had a bunch of stores which we were affected due to these things, that impact would roughly be about 2%. So, we would still be down by around 8% - 8.5%. But the actions that we are taking for the next quarter is that we are trying to speed up our some of our innovation. We are in some stores trying to reduce some store sizes, in two store sizes as well as we are trying to get some more entries, for example, in Chennai in certain area we are trying to get an entry into the mall. So, I think that given the fact that we are able to take some actions on the stores and the fact of our conversions as well as ASP growth, I believe that we should be able to achieve that number which we have mentioned.

**Ali Asgar:** Okay, so when we talk about this mid-single SSSG, what is the kind footfall that it may require us to achieve? Is like, I mean, like you mentioned that if you knock off the impact of those, I

mean, issues in some particular six stores, still the footfall decline will be 8%. So, if we are talking about a mid-single digit SSSG what kind of footfall do we require to achieve that?

**Rajiv Suri:** It is hard to put a number on it, but even if we had a declining footfall or single digit we could still hit that number, which we are talking of, because of our conversions as well as average price index which is going up, our IPT, for example, has gone up by 3.6%, which is the items per transaction. Our ASP increase is about approximately 2.5% and I think our conversion is up 4.6%. So, I think a combination of these three, and even if there was sort of single-digit mid-single-digit decline, we would still hit that number.

**Ali Asgar:** Okay, this is very useful. Just last follow up on the same point, so how much of this you would suggest is because of you mentioned industry phenomena, but if you talk, I mean, when you are saying industry phenomena is it linked to the slowdown or do you think it is more because of the impact we are seeing on e-commerce, which then in the other case, I feel that the impact could continue to get more and more accentuated?

**Rajiv Suri:** So, when we analyze the big India days by the online players, at that particular point of time we saw no shift or any significant impact to either our sales or our footfall and they remain pretty much what they were doing. What is the important is that we have a focus on the operational KPIs. And if you look at even this quarter with a minus 10% to 11% on the footfall, we are still 1% negative on the LTL. So, we believe that it is going to continue to focus on all the changes we are doing in product. We have done in Autumn Winter 2019, 750 changes across our stores and change in terms of either product or an adjacencies or the way we are laying out of sorts, the combination of that and the better operation KPIs we believe that we think we can get to that single-digit number.

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

**Varun Singh:** I just had one question, when we decided that we want to retail one particular brand, for example, say, if we decide that okay we want to retail W and in our Shopper Stop store, so do we retail it across all our store or, I mean, it depends and we would be retailing in a few stores? So, how does it go?

**Rajiv Suri:** So, normally, if you were to introduce a new brand, we were tested in few stores. So, like even with our own private brands, if you see, we tested some in 20 stores, some in 25 stores. And it really depends on the brand positioning and the affluence index and the catchment area, how we would position that. But we would typically not take a brand and roll it across the full chain.

**Moderator:** Thank you. Next question is from the line of Govind Agarwal from Alpha Accurate Advisors. Please go ahead.

**Govind Agarwal:** My question is with regard to the demand environment while few questions have already been asked in this respect. Just want to understand the overall demand environment in the country considering the current weak environment we have. So, one part is the competition from e-

commerce and other similar players, but second is the consumer sentiments which had been dented significantly. So, do you see improvement in the consumer sentiment, and they have started to spend more or you believe still that is some time away, that is one? Second while Puja, you mentioned you have done very well with growth have around 8% - 8.5% and Diwali is currently is muted. So, how do you see this third and fourth quarter?

**Rajiv Suri:**

So, we are not giving any guidance for the third or fourth quarter in terms of being specific but to elaborate on what your question was. So, firstly the shopping pattern seems to be changing so even though the Diwali is 2% to 3% as of let us say yesterday, but last four, five days has been quite good, and if that continues into the next sort of week or so, I think we should come out with slightly better numbers. From our side, I think the changes which we are doing as a department store are very unusual in the market and the speed of which we are changing the look and the feel of our department stores, the product mix, the new brand, exit of brands which are not relevant to our customers. We also believe that with the reduction in corporate taxes that we should be better positioned in the market. And we are hoping that in the next two or three quarters we will achieve our sort of guidance with single-digit life for life.

**Govind Agarwal:**

Then should I assume that it is too early to kind expect any improvement or you think maybe considering the good monsoon and also liquidity improving, things are likely to improve, what is your sense?

**Rajiv Suri:**

See I would err on the side of being conservative than being optimistic in terms of giving a guidance, which may or may not happen. And I think it is a bit early for us to predict what is going to go on in the next couple of quarters.

**Moderator:**

Thank you. Next question is from the line of Ankit Kedia from Philip Capital. Please go ahead.

**Ankit Kedia:**

Sir, just wanted to understand the positioning of Shopper Stop. Incrementally we are going for more premiumization, more experience stores, and even the brands which we are introducing are near premium end, similar to the beauty. So, with the new stores coming in, and also with modernizing of the old stores, where do you see us placed and where does customer take it in terms of marketing, are we putting good marketing money behind that?

**Rajiv Suri:**

So, we are doing two things, on one hand we are premiumizing, but I think the main thing is to give the customers the brands they expect and have in Shoppers Stop. And therefore, we believe that adding these new brands like you mentioned, maybe more premium we will provide a better customer experience. But we are also very conscious that there is an entry price point which must be maintained in our stores, and therefore the effort on the private brands. So, the space which the private brands are playing in our store is that the entry price point in our stores is coming from the private brands. And therefore, we really believe that if we expand and increase the penetration of our private brands it gives the customer an entry point into Shoppers Stop and then they graduate into the brand as they go along. I mean, currently, if you take a good, better, best pricing, we currently have in terms of traction, about 10% of our brands which are in the best category. And we have about 4% in the classic category as a benchmark. So, we really

believe that it is a two-fold approach, we are conscious of our customers. And we are doing a lot of changes based on feedback from our First Citizen customers. As you know, almost 80% of our sales are from First Citizen customers. So, we take also an update from them on what they would like to see in our stores. And therefore, we are delivering that experience back to them.

**Ankit Kedia:** And sir just one last question is on next year's stores opening. Given that this year we have been aggressive in store opening, in FY21 will it be muted or we will continue to have high single-digits, seven to nine stores target for next year as well?

**Rajiv Suri:** So, we won't like to give a guidance on that, but we have a plans that the momentum is we have started in this financial year should continue into the next financial year. We have a lot of locations under discussion and under negotiation, some are coming through. So, I think by the time we are in next quarter, we should have a much better visibility on which location we were able to firm up. But we would like to state that the foundation has been laid in terms of our strategy. Our four pillars, our enablers in terms of technology, omni and financial resources, and therefore the confidence to have an aggressive rollout this year. And we would like to continue the momentum into next year. And sir, I just saw that in the Delhi new store we have tied up with Starbucks as well. And how is Hamleys increasing the footfall for kids in the store, because that would at least drive footfalls if not convergence?

**Rajiv Suri:** So, it is still early days because we started the rollout in September, so it is still early days, we are now marketing to our customers and communicating to them about the Hamleys. We currently have about 14 or 15 Hamleys. And the expansion is going to continue through this Quarter 3. I think that the combination of Hamleys, we are also looking in some places to add Crossword kids' books, because we really believe that children's books is a very important part of the parent's shopping trip. So, toys, books and apparel I think we are going to make a powerful destination for kids.

**Moderator:** Thank you. Next question is from the line of Apoorva Mehta from AM Investment. Please go ahead.

**Apoorva Mehta:** I just wanted to know where were you were trying to cut down some stores and recover store, will this exercise begin by maybe March this year? Or it will continue for maybe next year too?

**Rajiv Suri:** Sorry, your voice is not clear. Can you can speak a bit louder, closer to the mic.

**Apoorva Mehta:** Sir, just wanted to know the kind of closures we are doing and the refurbishment we are doing for the stores. Believe it, it will be over by this March quarter, and from next year we will be fully fledged open then there will be no closures and there will be the new store addition will be keep on coming, is it what we are looking at or there will be more closures coming over the period of time.

**Rajiv Suri:** As a strategy we are going to be continuously adapting to the market and the customers. So, therefore, we will continuously, if the stores have no possibility to make a profit, we will close

those stores in the coming years after a due diligence of making sure there is no chance of making profits in those stores, if there are any like that. Secondly, the store opening program and the refurbishment program of our existing chain goes hand in hand. And every time every year we spend almost a similar, maybe a little bit less on for refurbishment, but we believe that both are equally important for our customers and to improve the customer experience. So, this is going to be ongoing season by season year by year.

**Apoorva Mehta:** Sir, but most of the assessment must be over for the number of stores which you have, the most of them are profitable and they are going to continue. But some of them may be just what you are doing, that thrift stores you are closing now, does this means you must have the fair assessment that what is happening around. So, is it that we cannot judge that is that not fair that we should be okay that by March we will be done with all this closing of the stores, of this the continuous process?

**Rajiv Suri:** So, the stores which we are planning to close in this financial year will be closed by the end of March. Was that your question, because your voice is not clear.

**Apoorva Mehta:** Not that, but are you having any assessment, because you must be having fair assessment.

**Rajiv Suri:** So, you see that the business is not static, so I can't make an assessment today and tell you what is going to happen 24 months from now, if a store will be closed or not, because there is a lot of dynamic changes, maybe in some places you have a standalone store, a mall might open, or if there is a mall another mall might open or some metro works might start for a long time or a competitor might open next to us. So, this will always be dynamic, and therefore we believe that for the customers it is always better that we are able to provide a newer and better shopping experience. And therefore, in my view, this will be a continuous exercise. And we may not also close that, but we will review for sure. We may not close any next year; we do not know that. Like we have not closed stores for the last two, three years.

**Moderator:** Thank you. We take the next question from the line of Gaurav Chugani from Axis Capital. Please go ahead.

**Gaurav Chugani:** Thank you for giving the opportunity, sir. Sir, in terms of the store opening guidance that you have given, and also the store closure, so is the guidance net store opening or is it just the new store opening guidance?

**Karunakaran M:** Across store opening you will have to minus from it the three which we are about to close.

**Gaurav Chugani:** And sir one more thing, with regards to your guidance for the mid-single digit SSSG, is the guidance for the full year or is it for just for the second half that we are targeting, the mid-single-digit SSSG?

**Rajiv Suri:** It is for the full year.

**Gaurav Chugani:** But given the fact that the average SSSG for the first half is just 2%, so if you do a mathematical calculation, it would be at roughly around say a 9% SSSG required in both the quarters. So, would not it be a tall task given the recent slowdown that we are going through?

**Rajiv Suri:** So, we believe that we should get benefit from the festive period which is going on now. And then followed by, there will be EOSS after that. And last year also our Quarter 4 base was quite low, so we think that that should also help us in Quarter 4.

**Moderator:** Thank you. Next question is from the line on Nirav Savai from JM Financial. Please go ahead.

**Nirav Savai:** Most of my questions are answered, but only one thing regarding this closed door, what could be the kind of revenue loss which we will see in second half because of these three store closures?

**Rajiv Suri:** So, the average sales of these stores is between Rs. 15 crores to Rs. 20 crores, so the average would be maybe on an annualized basis Rs. 50 crores to Rs. 60 crores. And this will improve the EBITDA because mostly they are loss making stores.

**Nirav Savai:** Are there any criteria that for store closures let us say one year or two years it does not make profit you shut down the store, I just want to get some sense regarding the store closures strategy?

**Rajiv Suri:** So, we would tend to do an evaluation after three years. We believe that that is around time that a store will fully mature by. And after that, if we find that there is no possibility for a turnaround, we might take a view on closure, or renegotiation with the landlord on better terms on that.

**Moderator:** Thank you. We take the next question from the line of Govind Saho from India Nivesh. Please go ahead.

**Govind Saho:** Sir, a couple of things. One, I just acquire the total breakup of 261 stores. So, out of which 84, I believe are departmental stores of Shopper Stop and remaining?

**Rajiv Suri:** So, they will be 12 Home Stop stores, and 123 beauty stores.

**Govind Saho:** But sir, then math doesn't come to 261 I believe, 44 plus 12 plus 123.

**Rajiv Suri:** And 40 Crossword stores, sorry.

Okay. I am sure Shalini is still there. Shalini, we also compared the revenue, like what we have given in the press report, what we have uploaded in the BC, all says it 845, we could not see anywhere 865. So, I can take you offline and then we can talk in detail about that, because we are very sure it is 845, we can talk offline.

**Govind Saho:** Okay. Sir, my second question is, what would be the net square foot adding to our total retail presences in H2? Because we will be opening 10 new departmental stores, plus beauty stores,



minus the three closures which we are doing. So, if you can help me with the net addition in the space?

**Rajiv Suri:** So, we would add about 280,000 – 3,00,000 square foot of space.

**Govind Saho:** This is net of the three closures?

**Rajiv Suri:** Yes, net.

**Govind Saho:** Thirdly, I would like to ask, do we have any brand concentration or some, so what would be our top five brands contributing to our sales, any color of how distributed is our brand in terms of our revenue mix?

**Rajiv Suri:** So, we do not give a breakup by brand or divulge the information with regards to brand wise sales. But we are not dependent on any one brand in terms for us as a company in that sense.

**Govind Saho:** So, I mean, what would be the top brand contributing to our sales? Without any names or anything. So, I just wanted to understand the concentration and diversity of our sales.

**Rajiv Suri:** So, typically no brand is more than sort of 2% to 3%, because as you know, we are 500 brands. So, that would be a difficult at the top performing brand.

**Moderator:** Thank you. We take the next question from the line of Rahul Agarwal from VEC Investments. Please go ahead.

**Rahul Agarwal:** Good to see or the focus back on the Shopper Stop kind of business, last two years been severe restructuring happening across the group. Anything you would like to add Rajiv on the home business, Crossword, anything on these, like are these businesses profitable going forward, these are the last bits which are remaining in the group and obviously they are not part of the four pillars anyway, so any thoughts?

**Rajiv Suri:** So, on home, we have been sort of keeping our head down and working on operational efficiencies, and cleaning up our product offering. For the first half, our EBITDA is actually up by 30% in the home part. We are still to go through a full strategic plan for the next four years on whether we will increase more home stops, or we will focus within the department stores. So, that is still work in progress. In Crossword, we have just hired a CEO who joined us two weeks ago and we are working with essential to develop a future strategy. And I think we should have that ready in the next sort of 60 to 90 days.

**Moderator:** Thank you. Well, ladies and gentlemen, that seems to be the last question for today. I would now like to hand the conference over to Mr. Rajiv Suri for closing comments. Over to you, sir.

**Rajiv Suri:** Thank you for attending the quarterly earnings call. I would like to wish you all are very Happy Diwali and a great festive season ahead and look forward to speaking on the next call. Thank you, again.

**Moderator:** Thank you very much. On behalf of Shoppers Stop Limited, we conclude today's conference. Thank you for joining. You may disconnect your lines now.