

SHOPPERS STOP

“Shoppers Stop Limited Q4 FY’18 Earnings Conference Call”
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SHOPPERS STOP



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LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Shoppers Stop Limited Q4 FY'18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference 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. Govind Shrikande – Customer Care Associate and Managing Director, Shoppers Stop. Thank you and over to you, sir.

Govind Shrikande: Thanks, Aman. Good Afternoon, friends. Happy to take the call of Q4 results for this financial year. We started Q2 with two aims to really financially restructure this company which will reduce the debt of the company and also bring down the losses. I am happy to report that both these objectives have been met and if you can see the results you can clearly see the numbers there.

But just to highlight before we start the presentation, let me take only these two points and explain to you what have we done. We began the year with the debt of Rs.575 crores and you can now see that we are at Rs.87 crores debt, in fact, net debt is only Rs.67 crores, because there is Rs.20 crores invested in mutual fund. So we have been successful to really take out the debt-equity ratio which is at 0.76 to now at 0.1 and we are well on our course to really make our company debt-free company in the next financial year. So the financial situation really reengineered completely, that is one aspect.

Second aspect that we were really working on was many of our subsidiaries and investments were giving us negative results and the exit out of HyperCity was completed in Q3, exit out of Timezone was completed in Q4 and exit out of Nuance duty-free was completed in Q2. If you look at our consolidated numbers both for the quarter and for the year, you will see at PBT level 200% change. When we come to the numbers, I will again explain you in detail. But fundamentally our focus in the last two quarters were completely surrounded on these two aspects and I am happy to say as I said earlier that we have been able to achieve both these objectives pretty well.

So coming back now to the 'Presentation', we have on Page #3, "Business Overview" we opened one department store in Punjagutta, L&T at Hyderabad; we opened three M.A.C. Standalone stores and three Stop n Shop again in different cities, one Bobbi Brown stores in Bangalore. We shut down three HomeStop stores; one in Vijayawada, one in Coimbatore and Bangalore. Fundamentally, these were not working out in terms of profitability for the long run and it was important for us to really take on the stores that are working and really drive them harder. Loyalty Program continues to grow strong with more than 5.3 million members now and contributing 75% sales.

I am also happy to report to you that we won several awards this quarter and two of them are related to our HR Practices, the "Dream Companies to Work for" and "Great Place to Work." We are extremely proud to lead such a team which wins these kinds of awards. Our Loyalty Program as usual continues to win number of awards including Best Loyalty Program in Retail sector, Best Customer Experience and many more such awards during this quarter.

Moving on to Page #5, gives you a snapshot of the total number of stores as of now: 83 in the Department Store Format; 42 in Crossword, 13 in HomeStop; 102 in the M.A.C., Clinique, Estee Lauder, standalone and Stop in Shop totaling to 240, covering 38 cities across India.

Page #6 gives you the current number in terms of square feet including addition and reduction which stands at 4.3 million.

Page #7 shows you the pictures of the L&T Punjagutta at Hyderabad Store, this is 53,000 sq.ft. store. Unique concept here that it is connected to the metro network and you can actually come down of a metro and enter the store.

Page #8 on the key Financial Highlights: The department store sales degrew by 2.5%; all format degrew by 1.6%, like-to-like came in at a disappointing (-4.1%), stores greater than five years were at (-4.3%) and stores less than five years at (-2.8%). Sales per square feet performed a little better at 2238 Vs 2276. Primarily this quarter please remember we had undertaken in Q3 sale which was preponed and in Q4 we actually reduced the number of sale days. This is what really impacted the like-to-like growth in the quarter because the number of sale days is lower in this quarter and because of the sale preponement some of the sale went into Q3. Renovation of the top-5 stores continues to impact especially a mall in Kolkata, stores in Vashi, Bangalore and Malad also are continually getting impacted. We believe that the results of the renovation should be apparent from Q2 onwards, then all these renovations will be over. We have seen a good recovery in the month of March for like-to-like growth and we are seeing a similar trend also in April which is a good news.

Moving on to Page #9, like-to-like customer entry degrew by about 12.4%. We recovered some part of this degrowth to increase conversion by 1.3% and ASP growth of 4.6% which led to a transaction size growth of 6.3%. Conversion went up by 1.3% in fact for like-to-like stores. ASP was up by 4.6% and the overall transaction size was at 3030, up by 6%. We also believe that GST reduction had some impact on ASP, it could have gone up by another 2% or 3% because the reduction of GST in non-apparel from 28% to 18%.

Page #10 in terms of merchandize mix, we have continued to highlight that private brand sales share and margins have been dropping for the last two quarters. We expect full recovery in private brand sales starting Q2 of this year and we are confident that we should go back to (+10%) share in this financial year. In terms of merchandize buying model, the bought out mix dropped from 38 to 35 during the quarter.

As far as category wise sales are concerned, non-apparel continues to grow well, in fact, beauty, personal accessories and Estee Lauder Group brands continue to show positive growth during the quarter, whereas categories that degrew one of them were jewellery, fundamentally because of withdrawal of Gili across the entire country. Private brands degrew by almost 20%. Yes, we also saw some impact on MotherCare movement from DLF to Reliance.

In terms of division wise sales, again, we are seeing similar trends; non-apparel gone up whereas all the categories have shown slight drop from their last year's share.

Page #12, operational efficiency wise, shrinkage remains under control at 0.5% for the quarter and for the whole year at 0.3% Vs 0.4% of last year.

Moving on to Financial Summary on Page #13:

The sales number dropped by 2% from Rs.1,013 crores to Rs.997 crores. Margin on sale also lost 30 basis points, fundamentally because of lower share of private brands, higher level of discounting and lower share again in terms of sales degrowth as far as private brands are concerned. We were able to manage our operating expenses well; they dropped by 2%, as a result we were able to maintain our EBIDTA percentage same at 5.3%, EBIDTA value last year was 53.6, this quarter it is at 52.6. As I mentioned earlier, our finance cost dropped by 75% from Rs.8 crores to less than Rs.2 crores. Depreciation was slightly higher but as a result of the operating efficiency our PBT moved up by 13% from 20.82 to 23.54. You will see exceptional items /OCI of 13.13 crores, which is mark-to-market on future retail investment. That is why the PBT is at Rs.36.67 crores positive versus last year's minus of Rs.26.97 crores. Last year this quarter we have taken impairment of Rs.47.8 crores which was some combination of impairment of Rs.36 crores of HyperCity and Rs.11.8 crores of impairment of NGIPL which we exited. At PAT level, last year we were at Rs.(-35.7) crores versus this year PAT we are at Rs.33.7 crores, 200% change from (-3.5%) PAT to (+3.4%). Similar figures you will also see in the consolidated numbers for the quarter. Top line lower by 2%, margin on sale lower by 2%, operating expenses lower by 1% but EBIDTA up by 10% from Rs.53.2 crores last year to Rs.58.5 crores, and as a percentage from Rs.5.1 crores to Rs.5.7 crores. Finance charges have not really moved here because this is the consol business and not the standalone. PBT from Rs.19 crores went to Rs.21 crores and share of profit & loss in joint venture which was last year at Rs.(-277) lakhs has come down to just Rs.7.8 lakhs, as a result PBT after joint venture profit & loss from Rs.16.3 crores has become Rs.20.9 crores. After considering exceptional item income of Rs.21.2 crores, PBT this year is at Rs.42.18 crores versus last year we had write-off of Rs.52.6 crores leading to Rs.(-36.3) crores last year at PBT. At PAT, we are at Rs.39.2 crores positive versus last year's number of Rs.45.1 crores. I hope you would have seen a note called LDO which is loss from discontinued operations, they are now shown in one line rather than capturing line-by-line which we used to show earlier, all these are captured under the PBT line straightaway. I am going to skip the full financial year numbers. First, I will go to balance sheet and then we will revisit that. So balance sheet I have already explained that the debt has come down from Rs.575 crores to Rs.87 crores with the investment in mutual funds of Rs.20 crores, the net debt is currently at Rs.67 crores, debt-equity as I mentioned earlier has come down from 0.76 to 0.09 which is about 0.1%. Our investment in Future Retail is currently standing at Rs.262 crores.

Moving back to consolidated results for the whole year. As I mentioned in the beginning of the call, this is a reflection of the financial restructuring that we have been able to complete. So top line grew by 3%, LTM grew by 2%, margin on sale grew by 1%, EBIDTA was up by 9% from Rs.201 crores to Rs.220 crores. PBT was up by 67% from Rs.48.5 crores to Rs.80.79 crores. PAT

up which is the total comprehensive income which from Rs.(-19.6) crores is showing Rs.(+18.6) crores, again 200% change. Similar reflection is also seen in consolidated number. But here you are seeing much higher impact because of booking of profit on HyperCity sale of Rs.208 crores. So here the number stands at sales growth of 3%, margin from 33.8 is at 33, EBIDTA is up by 2% from 223 to 228, again we have considered here not line-by-line but at the PBT line level, so PBT from Rs.38.7 crores last year is at Rs.76.8 crores and PBT after exceptional item is at Rs.240 crores versus Rs.(-58.4) crores last year. PAT is at Rs.221 crores versus Rs.(-78.8) crores of last year.

So before I take on the Q&A, I just want to highlight some of the key actions that we are taking and also some progress that we are making on new initiative. Our Omni initiative grew by 112% during the quarter. We have taken on multiple initiatives, like Ship From Store which is now active in more than 25-stores, and Click n Collect is active in more than 17-stores.

Our Amazon tie-up is progressing well. The Amazon NV investment came of Rs.179 crores during the month of January and our catalog strength is growing week-on-week, by Q2 our full catalog should be up and running on Amazon. Experience Center and marketing tie-ups will follow this catalog strength in Q3 and Q4.

We have also tied up with Chennai Super Kings during this IPL season because we believe IPL is important part of our customers mindset and wallet share and we are their exclusive partner for clothing and accessories. We are targeting five new stores for opening in the next financial year in department store format and 12 in the Specialty Beauty format.

Our overall outlook for the next financial year is about 7.5% like-to-like growth. We believe that Q1 would be soft because last year Q1 was boosted in terms of like-to-like growth by 18% because of GST that came in July. So Q1 would be soft but the whole year we are still maintaining outlook of 7.5%. We also believe that we should be able to improve our margin for the whole year by more than 100 basis points. As I already mentioned to you, we are targeting to become debt-free for the next financial year.

With these opening words, I would now make the forum open for any question-and-answer.

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

Avi Mehta: Sir, actually I just wanted to kind of spend some time on the guidance that you have indicated right now; 7.5% for FY'19. Just wanted to understand, your initial comments indicated that we have seen a healthy trajectory, April has been good. If you could kind of highlight what do you mean by healthy especially in the context of (-4%) SSS growth? What is it that gives you confidence that you would be able to attain 7.5%, what are the drivers or building blocks for that?

Govind Shrikhande: Avi, basically, there are three fundamental issues that happened last year, some of which we have no control on... especially GST we had absolutely no control on and Q2 and Q3 got really badly impacted by the GST changes; because of GST changes supplies were impacted both in July and

August which meant really that our sales went negative in that quarter and even in Q3 we are not able to really recover because GST rates were dropped from 28% to 18% in many of our big-big categories. So as a result, we had to also pass on large amount of discounts, as a result our ASP is also below our target growth that we are looking at. #, we had undertaken a number of renovations in almost 9 stores and along with those 9 stores there were certain malls that also got impacted and that impact still continued in this financial year. We believe that by Q1 end all these renovations will be out and over which is what we are currently seeing the track. #3, our private brands sale degrew completely and that was a big disappointment for us and if private brands degrew by 20%, they lose share, they lose margin, it is a big impact both on the top line as well as like-to-like growth and the bottom line as well. So having identified as these three as key actions, we have really worked as a team towards what can we do for each one of them and how do we drive them through stores, through private brands and through renovation and we are pretty confident at each store-by-store level as to how do we really deliver 7.5%. So we worked out a detail plan on this and we believe that March we clearly saw good like-to-like growth, high single digit, right now we are seeing single high digit growth also in April and we believe May should also turn out to be quite okay. June could be a dampener because as I mentioned last year June was more than 20% like-to-like growth because of GST. So, a lot of hard work has gone in terms of this operational restructuring and we believe we should be able to really take on track from Q2 onwards, second half should be really big.

Avi Mehta: Continuing on that, on the margin guidance, you indicated that 100 bps plus is the margin expectation, in next fiscal what would change that because you are right now probably at 20 bps expansion even in the fourth quarter number kind of expand going forward, so is renovation such a drag if I remove that, what exactly is it?

Govind Shrikhande: No, basically what happens, Avi, two things; one is we have also lost margin in private brand along the share, so we believe we should be able to gain between 300-400 basis points margin in private brand alone. Now, 300-400 basis points on 10% share converts itself to 30-40 basis points straightaway, so that part #1 in the story. Part #2 of the story is last year, we get lot of discounting because of GST and also because GST when it came in, it also gave a limitation till December for write-off of stock, which really meant that we have to take certain hits on carrying stocks that we have, which will not be there in the next financial year. So we believe that it is very possible for us to trade up by 100 basis points in the coming financial year based on these two factors changing.

Avi Mehta: On the CAPEX, could you kind of share in guidance on what is the likely number that we should see because you indicated only five versus the six that you were earlier kind of looking at, but is it five or how much should we look at?

Govind Shrikhande: Five-six is always a indication but I can see them clearly right now in terms of days of opening, it could even go up to 7, but let us take only 5 right now which are very clearly visible. Five stores would mean an average of Rs.8 or Rs.9 crores per store, Rs.45 crores CAPEX going in there. The specialty would take in about another Rs.15 crores of CAPEX. So we are talking about Rs.57 crores going in into new store. Renovations, we continue for another five to stores that should take

another maybe Rs.25 crores. IT investments and other continuing investments would be in the region of another Rs.30 crores. So Rs.100-110 crores CAPEX we can expect at the bare minimum.

Avi Mehta: A clarification if I may, the depreciation, I am not able to quite put a handle, even if I remove the renovation or accelerated depreciation related cost, QoQ standalone basis seen a decline, it has reduced from about Rs.30 crores to Rs.27 crores on a headline basis, but if I remove the accelerated depreciation, albeit a very small one versus what the headline number suggest, but what exactly is happening there?

Govind Shrikhande: I would not be able to comment, Avi, without looking at the number, maybe we can take that offline.

Moderator: Thank you. We will take the next question from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: If I could just take you back a bit, you were saying that you have lost share in private brands and now you are quite confident of gaining back that share, so if you could just say what went wrong in private brands in the first place that you lost share and therefore like you hope to get it back?

Govind Shrikhande: Shalini, we started last year where we could clearly see growth coming in private brand, but Q2 onwards we clearly saw dropping continuously. So we went in Q3 and did a full benchmarking study of our private brands versus competition including brands and private brands of competition. Our realization was three-fold which is what I mentioned that we had challenges in positioning, we had challenges in assortment, and we had challenges in pricing. Classically, private brands are positioned at entry price points, in certain brands we made a mistake of making them to premium. #2, classically, again, private brands are supposed to be followers of fashion, we made a mistake of treating them as fashion follower. Both these issues of positioning as well as pricing impacted us and that is why we were not able to drive growth, in fact, we lost share. So having identified these issues, we have gone back, corrected the lines and what we are seeing already in Q1 are lines where we have changed this positioning and pricing we are seeing good results already. But to get the full impact, because private brands are long drawn process of almost five to six months right from identifying the trend to fabric to stitching and then the delivery, we believe that the full impact will kick start in the second half of this year.

Shalini Gupta: Sir, if we just look at the Page #15 of your presentation which is "Consolidated Financials for the Full Year" you have said that the profit of Rs.208 crores on sale of HyperCity and Page #15 of the same presentation for the standalone numbers, you said loss on sale of investment in HyperCity which is about Rs.48 crores for this full financial year. Just to get this correct, you made a profit or loss on your sale of HyperCity?

Govind Shrikhande: Shalini, this is something we will have to take offline because this is a big explanation, based on standalone business versus consol result and how the treatment is made on standalone versus consol. As you know in Hyper, we have taken QoQ impairment and that is what is leading to this profit. So when you look at our total realization versus impairment versus the price that we got is

the profit. That is what you are seeing really in consolidation. We are very clear on what the treatment is what we are seeing is actual right audited number, so there is no confusion there.

Shalini Gupta: Just one thought which has been bothering me for a long time is the decline in the footfalls, this quarter also we have seen 10% YoY decline. If you could just speak about this as to where you see this going forward and why is it happening?

Govind Shrikhande: Shalini, the trend has got really appended very high in the last five quarters or so, primarily on account of two big elements that have really happened which is some of the big malls that have gone under renovation has got impacted because of something to do with the road construction. So I mentioned that the top-five stores of ours has got impacted. If I take those five stores out, my degrowth in customer entry which is currently showing (-12) drops to just about 4%.

Shalini Gupta: Why should there be a degrowth at all is my question?

Govind Shrikhande: If a mall goes for complete renovation, the fall in entry is 70%, how do I stop it?

Shalini Gupta: No-no, but you are saying if you take the top-five stores out, then the decline in footfall is 4%?

Govind Shrikhande: Correct.

Shalini Gupta: Why should a brand like Shoppers Stop have any kind of decline?

Govind Shrikhande: No, this is the current trend across the world, right, that a lot of people are going online or checking with the brands of products, assortment online as well. So online is a big phenomena today and there is a lot of digital influence before shopping. So I do not get worried on 3% or 4% customer entry degrowth. Yes, I am completely worried on a double-digit entry degrowth and we believe we should be able to get it back on track from Q2 onwards once many of these malls renovation cycle gets completed.

Shalini Gupta: Could you please say like what is your online growth?

Govind Shrikhande: I did mention that we grew by more than 100% this quarter and we continue to target to grow 100% every year for the next three successive years and to take the share which is currently running at 1% to 10%, Shalini.

Moderator: Thank you. We will take the next question from the line of Mehul Desai from IDFC Securities. Please go ahead.

Harit: This is Harit here. So just on this renovation part, so you said nine stores in FY'18. In your sense, how much could that have impacted the SSG for this year?

Govind Shrikhande: Between 2-3% at least at overall level.

Harit: For F'19, when you are saying 7.5%, I assume you are factoring in the net of renovation?

- Govind Shrikhande:** Absolutely right.
- Harit:** If you could just give a sense on the top-4-5 stores, what stage are they as far as this renovation part or the obstruction part is concerned that you expect to come back to more or less around Q2?
- Govind Shrikhande:** Different stages, Harit, really, so I do not know whether we want to go into that detail in this kind of a call, but maybe we will explain to you, but we believe that all these renovations are getting over by Q2 end.
- Harit:** So Q2 you get a pick up in the SSG part because Q1...?
- Govind Shrikhande:** Second half we are predicting like-to-like growth to be much higher.
- Harit:** Second question was on Beauty. You had mentioned sometime in the third quarter call that you could see some impact on Beauty because custom duty is going up. Have you seen the initial trend on that because I guess there is some inventory and by the time the new shipments come, etc., have you started to see that and how do you see that working out in F'19?
- Govind Shrikhande:** Luckily brands have not yet increased any prices because they were holding lot of inventory because of the GST changeover that happened, they had imported a lot of merchandise and we should only see it most probably by Q1 end, not before that.
- Harit:** How large is Beauty now from a percentage perspective for you?
- Govind Shrikhande:** About 10% overall.
- Harit:** Firstly, you said full catalog should be there by...?
- Govind Shrikhande:** By Q2 end.
- Harit:** In terms of the Omni part, you were at 25 and 17 stores respectively for the Ship from Store and Click & Collect. Where do we see this ramp up end FY'19?
- Govind Shrikhande:** We should be 100% Omni by Q3 and Q4, that is the target on the major parameters which is Click & Collect, Ship from Store and the Apparel.
- Harit:** Last thing was really on how much of this SSG you think will be probably volume or price-driven, do you see brands taking prices right now, how do you see that situation going?
- Govind Shrikhande:** I think majority will come out of price if you ask me, because prices have remained subdued post-GST, so my guess is it could be in the region of 5% in price and 2.5% in volume.
- Moderator:** Thank you. We will take the next question from the line of Kaustubh Pawaskar from Sharekhan Limited. Please go ahead.

- Kaustubh Pawaskar:** Just to come back on the renovation part, in '19 also you are planning to do about Rs.25 crores of renovation. So how many stores would be under renovation in '19?
- Govind Shrikhande:** Between 7 to 9 stores is what we identified right now.
- Kaustubh Pawaskar:** This 7.5% SSG is excluding the renovation part, right?
- Govind Shrikhande:** Net, that is right.
- Kaustubh Pawaskar:** But a large part of the SSG improvement would come in Q2 and Q3, Q2 mainly because of the base and Q3 because of the festive season, is it a right understanding?
- Govind Shrikhande:** Absolutely right.
- Kaustubh Pawaskar:** This decline in SSG renovation I can understand, also the online sales I can understand, but even it has to do with consumer sentiments, now which they are improving, is it something which will help us to see better footfalls?
- Govind Shrikhande:** March indication is quite instructive as we can see, as I mentioned that March we saw decent like-t-o-like growth, in fact, the customer entity degrew, degrowth also came to less than one-third of what we saw for the whole of quarter. So I clearly see that there is indication that sentiments are moving positive. I think our challenge is that we created are all getting over. So by Q1 end to Q2 beginning, we should be able to utilize the positive consumer sentiment and drive both SSG as well as margin up.
- Kaustubh Pawaskar:** What would be your tax rate for '19 and '20 if you could just give us guidance on that?
- Govind Shrikhande:** It would be in the similar bracket of the 35% except whatever exceptional profit that we are booking on our sale of this year both short-term and long-term that we will have to look at separately and then maybe come back, as of now, we are in the ballpark of 35%.
- Moderator:** Thank you. We will take the next question from the line of Ritika Jalan from Narnolia Securities. Please go ahead.
- Ritika Jalan:** Just want to clarify that the EBIDTA margin target that you are talking 6% is achievable for next year also and FY'20 also?
- Govind Shrikhande:** No, what I mentioned is if you look at our full year standalone numbers, we are at 5.3 EBIDTA, we are targeting to grow that number by 100 basis points each year for the next three years, so we should hit (+8%), that is what we are working on.
- Ritika Jalan:** Is this based on like gross retail sale or the sale that you reported as per the accounting?
- Govind Shrikhande:** As per retail sale that you see in the standalone number.

- Ritika Jalan:** What is the CAPEX expectation for this year or the next year?
- Govind Shrikhande:** I mentioned about Rs.110 crores of investment for this year.
- Ritika Jalan:** Next year also Rs.110 crores only?
- Govind Shrikhande:** What I mentioned is '19-20 we have not yet formulated but would be in a similar range if we continue to open five or six stores, department stores and about 10-12 stores in specialty, this number would be similar range.
- Moderator:** Thank you. We will take the next question from the line of Tanmay Sharma from Jefferies. Please go ahead.
- Tanmay Sharma:** My question is on the Beauty segment. You said currently 10% of the business and I think you are driving much more store expansion in that part of the business. What can be the steady state percentage you are targeting because the reason I am asking is I think EBIDTA margin in the segment is much higher than the steady state?
- Govind Shrikhande:** I cannot predict for the next one or two years, it would not change dramatically because even if I open 10 or 12 for specialty, these are very small size stores, Tanmay, so may not dramatically change things, but what it does is it increases our specialization, #1. It also ensures that we have a differential assortment whether to standalone or Stop in Shop as far as the customer is concerned. So we are currently fine-tuning that formula much more to create that exclusivity and you need to come to Shoppers Stop to really get this kind of a product.
- Tanmay Sharma:** My second question is on this Amazon tie-up. So recently I think Amazon also started this Amazon Fashion has been advertising significantly and I am also seeing a lot of discounting started again from Jabong and we are also discounting. So I wanted to understand, we are obviously getting Amazon platform and is Amazon also getting in return something as far as infrastructure is concerned or is the supply chain is concerned from the stores that it might use from us?
- Govind Shrikhande:** As I mentioned there are two things that are happening; one is they are getting the catalog from us which is very strong which supplements their own catalog and own strength, #1; #2, we are working on two big tie-ups to utilize the infrastructure; one is the experience centers in the store which will follow by Q2, Q3 or maybe Q3, Q4 and last but not the least, leveraging of the marketing and analytics and the loyalty program across both the groups, again, that will follow in Q3, Q4. So I think there are huge opportunities on the table. What we are trying to do right now is play the starting game, the first five overs is what we have started right now. I think we are yet to lead towards the T20 last five years. So let us play the first five overs correct and then build up the momentum over the next 15 overs. This is the long-term tie-up, so I am not in a hurry, I would rather build up in this financial year, the whole structure, the whole relationship and then really drive it harder in years to come.

- Tanmay Sharma:** We have done a lot of restructuring as far as financial restructuring removal of the loss-making subsidiaries. So are you thinking for Crossword as well for the same sort of thing to happen in future?
- Govind Shrikhande:** We have looked at Crossword, I am not in a position to comment to you right now as to what we are doing, we believe there are now opportunities of driving Crossword harder through multiple tie-up, so we are working on a new strategy for Crossword which currently I am not able to comment.
- Tanmay Sharma:** So in terms of store expansion, we are still mall-heavy, so going forward, if I have to look as far as expansion is concerned, we will continue to be mall-driven or do you think going standalone will make sense to an extent if we go in the smaller cities especially tier-1, lower, etc.,
- Govind Shrikhande:** I think tier-1 and below definitely standalone could be a good proposition, but we do not really have a model which is really tier-2 friendly. Up to tier-1 we are fine, tier-2 requires much more value for money brands and many more labels rather than brands for sure. Today, we actually do not have already model for the tier-2. But yes, what you are saying is right, in the long run we will have to start looking at some standalone options as well to really ensure that the cost versus throughput is managed better.
- Moderator:** Thank you. We will take the next follow up question from the line of Kunal Shah from IIFL. Please go ahead.
- Kunal Shah:** I have two questions; first one is on rentals. If you look at our consol and standalone full year numbers, the rental amount is significantly different and now since HyperCity is not included, what is driving this difference between consol rentals and standalone rentals?
- Govind Shrikhande:** You are looking at Page-41 right now. I will not be able to answer it, Kunal. Can we take it offline?
- Kunal Shah:** Another question is why was the standalone quarterly tax rate low for this quarter, any specific reason for that?
- Govind Shrikhande:** Because OCI is not actually considered....if you do a call separately, I can explain to you.
- Kunal Shah:** But otherwise we should see 35% tax rate as you mentioned?
- Govind Shrikhande:** That is right.
- Kunal Shah:** Finally, you said standalone debt is Rs.87 crores. What will be that number on consol level?
- Govind Shrikhande:** On consol, we only have Crossword and some other company, right, that is Rs.35 crores kind of a number there. Actually, no big difference between consol and standalone now.
- Moderator:** Thank you. We will take the next question from the line of Chirag Sidhwa from ICICI Securities. Please go ahead.

- Chirag Sidhwa:** Sir, I just had one accounting question. If I look at FY'18, creditors have increased substantially by around 48% to Rs.488 crores. So any particular reason for that?
- Govind Shrikhande:** There is no major change in accounting or maybe there are issues about the year-end accounting and GST credits, etc., because this year the GST write-off and GST credit we have to give on spot, so maybe there is slightly higher level of credit, but nothing really planned to have it higher.
- Chirag Sidhwa:** So going forward, the sustainable days will be in the similar range which we used to have around 65-70 and not 80?
- Govind Shrikhande:** 65-day is normally the pattern and we should be at the same level.
- Moderator:** Thank you. We will take the next question from the line of (Mehul Desai from IDFC Securities). Please go ahead.
- Harit:** Harit here. Just one question was in terms of discount days. You said for the sale season you had kind of reduced the number of days. So from what to what had you done and you think it is more sustainable in a still competitive environment?
- Govind Shrikhande:** What really happened is there is a total sale period did not actually reduce. We prepone the sale in December by 10-days and curtailed it in February by 10-days.
- Harit:** So the actual numbers remain the same?
- Govind Shrikhande:** But what happened was the sale moved to Q3 more than Q4.
- Harit:** From an outlook perspective, do you think in this highly competitive environment, as far as discounting days are concerned are unlikely to change, right?
- Govind Shrikhande:** As of now does not look likely but I think we will have to make our own effort to start curtailing it because this kind of heavy discounting has made the customer really only waiting for discount period and shopping much higher level that time. So we have to create more excitement during the non-sale period and really drive higher level of sale. I think that is completely left to the retailer and the branch to really work together and drive it harder. I would say that this kind of a work we are trying to put together along with all of brand partners, but would only come to the market by Q2 end or Q3.
- Harit:** So you mean that even the other retailers could be in unison with your thought process on discounting days?
- Govind Shrikhande:** I think retail industry is struggling with it. We will have to really work on it. We are not alone in that.
- Thank you for joining us for the Q4 call. We will again chat up once the Q1 results are out in the month of July. Thanks, Aman.

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