“Baazar Style Retail Limited

Q1 FY '25 Earnings Conference Call”

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MODERATOR: **MR. SUYASH SAMANT – STELLAR ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Baazar Style Retail Limited Q1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Suyash Samant from Stellar IR Advisors. Thank you and over to you, sir.

Suyash Samant: Good evening everyone and thank you for joining us today. I have with us today the senior management team of Baazar Style Retail Limited, Shreyans Surana, Managing Director and Mr. Nitin Singhania, Chief Financial Officer, who will represent Baazar Style Retail Limited on the call. Management will be sharing operating and financial highlights for the quarter ended June 30, 2024, followed by a question-and-answer session.

Please note this call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statement to reflect developments that occur after a statement is made.

I now hand over the conference to Mr. Shreyans Surana. Thank you and over to you, sir.

Shreyans Surana: So, hello everyone. Good afternoon. I welcome you to the maiden earning call of Baazar Style Retail Limited to discuss our Q1FY25 performance. I am delighted to speak to you all for the first time after a successful listing. I hope you have all gone through the results and the investor presentation which is available on the stock exchange and on our website. As this is our first earning call, I would like to take a few minutes to take you through our business model and the journey we have undertaken so far.

With the thought of revamping India's wardrobe and fueling the economy, Baazar Style started in 2013 to cater the aspirational needs of Real Bharat i.e. Tier 2, Tier 3, Tier 4 towns of the country. And while doing that, we became one of the fastest and the largest growing value fashion retailers both in terms of store count and revenue from operations. We started our journey in 2013 from our small store in Berhampore followed by 184 stores as on 30th September with a retail space of around 16.66 million square feet across 158 cities.

With an employee strength of around 2600 plus people, an office space of around 30,000 square feet and a warehouse of around 1.8 lakhs square feet, we aspire to reach the zenith of fashion evolution in the next 5 years. In terms of product offering, we have got it all covered under the name of Style Baazar from stylish menswear to elegant womenswear to adorable kidswear and all household related articles, plastic wear, toys etc. In the last 12 years, we have made Bharat stylish and aspire to keep up with the trend in future also.

In 2013, we embarked on a journey of growth and innovation when we opened our first store in Berhampore, West Bengal. A humble beginning that set the stage for our future. By 2016, our expansion continued as we opened our maiden store in Odisha.

That year, we celebrated crossing an aggregate of 0.10 million square feet of retail space with our revenue soaring past INR100 crores. With a solidified presence in East India, the year 2018 marked a significant milestone as we raised funds from late Rakesh Jhunjhunwala, Intensive Finance Private Limited and other marquee investors. The support enabled us to launch stores in different geographies, doubling our store count to 72 stores in 2019 and we crossed the revenue of INR500 crores in FY2019.

Fast forward to 2024, we have now crossed an aggregate of 1.4 million square feet with a presence of 162 stores across 9 states, paving the way for an even stronger market presence. In Q1 FY '25, we opened 4 new stores in Assam and Bengal, taking the total store count to 166. And as on 30th September, we have got 184 stores across 9 states and 158 cities.

Our greatest strength lies in our cluster based strategy for rapid store expansion. This is one of the key strengths and strategies for the company which has allowed the company to deeply understand the local areas, adapt to their customer preference and enhance brand visibility. The power of clusters has also helped us to optimize our marketing expenditure, supply chain expenditure and also optimize on the inventory side.

In terms of market, we have got two markets, one is core market states and one is the focus states. So primarily West Bengal, Assam, Bihar, Odisha are our core states where we have a decent presence and the focus states are the growing states like Tripura, Jharkhand, UP, Andhra Pradesh and Chhattisgarh. Our goal is to bridge gaps in untapped areas of the core market while also exploring the new territories in both core and focus markets.

This approach enables us to stay competitive and achieve the best possible results both in terms of profitability and revenue. In terms of product, having a deep understanding of customer preference allows us to curate a comprehensive and a targeted product mix that resonates with our audience. By analyzing trends and the feedback from our customers, we can offer a diverse range of products that meet the varying needs and desires of our customers, ensuring that they find exactly what they are looking for.

Our product range includes fashion apparel for men, women, kids, athleisure, bottom wear, ethnic wear, night wear and wearables. Then there is general merchandise which includes home décor, household products, home furnishings, home appliances and accessories i.e. bags, travel, accessories, lifestyle products and footwear. We strive to create a one-stop family shopping experience where customers can find everything that they need under one roof for the entire family.

By combining quality products with affordable pricing, we make shopping convenient and enjoyable for our customers, ultimately leading to increased satisfaction and loyalty. This approach positions us as a go-to destination for families, encouraging repeat visits and a long-term relationship built on trust and value. Coming to share a little more details on the private label, we have got 10 private labels i.e. square up for men's and boys' wear, Walsey and Kirtle again into men's apparel, Awaya is for ladies' ethnic wear. Square up is one of the largest brands that we have in the private label which stands at INR117 crores of revenue as on FY '24. From FY20 to FY '24, our private label segment has experienced impressive growth of approximately

64.6%, contributing to 38% of our overall revenue. These have also enabled us to achieve better profit margins.

In terms of growth strategies for the future, as you can see that the market is big enough. As per the Technopak report, the North and East region market share for Value Retail is expected to grow from INR3.09 lakh crores in FY '24 to INR4.58 lakh crores in FY27 which is a CAGR of 15%. To build on this ever-growing industry demand, we have some strategies in place to aid our growth.

We aim to expand our store count further through deeper penetration in core markets and forming new clusters in focus markets to our strengthened market positions. We would like to continue to invest in strengthening our supply chain management and human capital to further reduce our operating costs to further optimize our supply chain management. The intent is also to focus towards creating differentiation and achieving greater control over the product quality through private labels.

This fosters a sense of trust and loyalty among our consumers. Also, we continue to improve our operational efficiency through investment in technology adoption initiatives, data analytical capabilities, and implementation of an omni-channel retailing business model.

With that, I would like to conclude my opening remarks and request our CFO, Mr. Nitin Singhania, to take over to explain the financials.

Nitin Singhania: Thank you, Shreyans. Good evening, everyone. Now I will begin by sharing operational highlights and key financial numbers for the quarter ended on June 30, 2024. Starting with the financials for Q1 FY'25, the total income at INR279 crores was up 22% Y-on-Y and 24% quarter-on-quarter, gross profit at INR91 crores, up 22% Y-on-Y and 25% quarter-on-quarter, EBITDA at INR42 crores, up 23% Y-on-Y and 78% quarter-on-quarter.

EBITDA margin at 15.2%, up by 20 bps Y-on-Y and 460 bps quarter-on-quarter, PBT at INR 10 crores, up 33% Y-on-Y and 215% quarter-on-quarter, loss after tax at INR0.4 crores impacted due to exceptional loss on account of provision of loss of INR 11 crores due to fire in one of the warehouse and insurance claim still awaited.

Coming to the key financial metrics, in Q1 FY'25, we continue to witness healthy volume growth overall and strong growth in private label sales. The private label contribution increased from 37% in Q1 FY'24 to 52% in Q1 FY'25. In absolute terms, it is at INR145 crores, up 70% Y-on-Y. The store count grew 19% Y-on-Y to 166.

The rental area of the stores grew 15% Y-on-Y to 1.50 million square feet. The average store size in square feet stood at 9,032. The total number of bills grew 27% Y-on-Y to 3.08 million. The quantities sold grew 20% Y-on-Y to 10.29 million. The average transaction value stood at 949. Same-store sales growth stood at 5%.

As we speak for Q2FY'25, which is also available in public domain, some key highlights are revenue grown by 65% Y-on-Y to INR311 crores in Q2 FY'25 and 41% Y-on-Y to INR586 crores in H1 FY'25. Sales per square feet stood at 708 per month in Q2 FY'25 and SSG at 41%

in Q2 FY'25 and 21% in H1 FY'25. Total number of stores stood at 184 as of 30th September 2024. The company opened a total of 21 new stores and closed three stores during the quarter 2 of FY'25.

In addition, over the past years, revenue grew at a CAGR of 33% to INR973 crores in FY'24, gross profit at 36% CAGR to INR326 crores, forming a healthy gross margin of 33.5%, EBITDA at 44% CAGR to INR142 crores, with an EBITDA margin expansion of 220 bps to 14.6% in FY'24. Profit after tax has improved multi-fold to INR22 crores from INR5 crores in FY23.

We have a healthy return ratio with ROCE at 18% and ROE at 11%. To this note, now I conclude our presentation. We will endeavour to continue with this growth momentum going forward. We thank you a lot for listening us affirmatively and now we open the session for question-and-answer to you all. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Arpit Shah from Stallion Assets. Please go ahead.

Arpit Shah: Yes, congratulations on a very good set of numbers for H1 FY'25. I had a couple of questions. If you can just walk us around the unit economics of a store, what is the payback like? What is the ROCE like? And how does the unit economics work in terms of sales per square feet, cost per square feet, gross margins and everything? That would be my number one question.

My number two question would be around seasonality of the business. What is Q1, Q2, Q3, Q4 typically as percentage of saliency in terms of sales, if you can answer that number? And any guidance you all are sharing for PAT or revenue for FY'25? Since we have seen a very, very strong H1 FY'25 with almost 41% growth, so what kind of numbers can we see for FY'25?

And even your competition has also reported good numbers, be it V2 Retail or V-Mart. Is there a lot of change happening on the ground for Tier 2, Tier 1 kind of economies where the demand actually starts picking up? Or is there a seasonality factor in play for other peers and as you as well?

Nitin Singhania: So answering to your first questions about the store unit economics, so typically if we see a store size of 7,500 square feet, so sales per square feet is around 7,500 square feet with a store EBITDA pre-IND AS at 13%, which will come out to be 7.34 million. And if you take the capex out, only capex, the payback period will be around 16 to 18 months. So capex investment is around INR1 crores and with inventory it will be around INR2 crores and it will be between -- the payback period including inventory will be 31 to 36 months.

Arpit Shah: Sorry, the capex is INR1 crore and inventory is INR2 crores, so INR1 crore plus INR2 crores, INR3 crores, right?

Nitin Singhania: No, capex is INR1 crores and INR1 crores is the investment on inventory.

Arpit Shah: Total capex is INR2 crores and 7,500 is let's say the average store size, you will be spending about -- you said your sales per square feet is INR7,500, right?

Nitin Singhania: Yes, 7,500 to 7,800 per annum.

Arpit Shah: And what will be the gross margin?

Nitin Singhania: Gross margin will be around 33.5%, which was already there in for FY'24, so 33.5% gross margin.

Arpit Shah: And how do we walk down in terms of operating cost and everything?

Nitin Singhania: Operating cost generally lies between including rental, it lies between 20% to 23%.

Arpit Shah: 20% to 23% is our operating cost.

Nitin Singhania: On pre-IND AS.

Arpit Shah: Pre-Ind AS, got it. And your payback is 31 to 36 months, including inventory?

Nitin Singhania: Yes.

Arpit Shah: Sorry, if you can just help me with the seasonality of the business?

Shreyans Surana: Thank you for your question. In terms of seasonality, because we are an Eastern India brand and there are lots of festivals in East India, there is a seasonality factor in the growth. If I tell you about the last year, in the last year, Durga Puja, which was on October 23rd, and which is right now on October 13th, the 10 days seasonality factor is in this quarter in terms of growth, which cannot be quantified. But yes, that's the regular practice which comes always in sometimes in this quarter and sometimes in the third quarter. Coming to the question in terms of revenue, so the first half generally tends to have 43% to 48% of the revenue, depending on the seasonality.

Arpit Shah: 43% to 48%.

Shreyans Surana: Yes, the first half.

Arpit Shah: Got it. And what should be the PAT guidance for FY25, the revenue guidance?

Nitin Singhania: It will be between 3.5% to 4% before exceptional loss.

Shreyans Surana: At pre-Ind AS levels. And in terms of revenue growth, guidance would be around 25%.

Arpit Shah: So around INR1,250 crores is the sales number that you are estimating. With that, the pre-Ind AS PAT would broadly be between 47 to 50 crores.

Nitin Singhania: Yes, pre-Ind AS. The percentage that we are projecting.

Arpit Shah: And the Ind AS PAT would be how much?

Shreyans Surana: Between 2.5% to 3%.

Arpit Shah: And what was the pre-Ind AS number for FY24?

Shreyans Surana: Pre-Ind AS numbers at EBITDA level for FY24 was 7.4%.

Arpit Shah: No, what was the PAT number pre Ind AS FY24?

Nitin Singhania: 3.03%, 29 Cr at pre Ind AS

Arpit Shah: Got it. And you see an impact of Navaratri in Q3, right? What was the reason for a jump in Q2 revenues across this sector, be it V2 Retail, V-Mart?

Shreyans Surana: I think there are lots of things which are happening in Tier 2, Tier 3, Tier 4 towns. According to me, if you ask me, I think there is a huge shift coming from unorganized to the organized market. We are seeing a lot of traction coming from that particular space. Apart from that, with the scale, we have built our team that way in terms of merchandising, in terms of designing, in terms of price positioning. I think all these factors are leading to this growth. It is just not the seasonal situation that has led to this much growth. Otherwise, also if you see for the entire half yearly, it is 41%. The growth has been 41%. So there are lots of customers flowing from unorganized to the organized market.

Arpit Shah: Got it. So even in Q3, we will be able to see some quarter-on-quarter growth, right? Given that we are seeing a very strong traction of customers and footfalls. So, is it good enough to estimate Q3 is also going to see a quarter-on-quarter growth?

Shreyans Surana: See, I can just tell you about the full year. As I said, the 25% will be the growth that we will be chasing for this entire financial year. There are lots of festivals both in Q2 and Q3. Q3 has a lot of festivals. So that I can only share right now on the call.

Arpit Shah: Thank you so much.

Moderator: The next question is from the line of Chintan Shah from JM Financial Family Office. Please go ahead.

Chintan Shah: I thank you so much for the opportunity. So, first question is more in terms of strategy. We understand that we are more present in Tier 3 and Tier 4 towns that are also in the eastern region. So, I wanted to understand what is the potential in terms of revenue per square feet that we can drive over the next 2-3 years and what initiatives we are taking to improve this or are there any trends that are playing out that is helping us to reach there? So what is the potential that I want to understand?

Shreyans Surana: In terms of potential, East India has got a lot of potential. As I already said that 3,09,000 crores is the market cap as of now on value fashion retailing as on FY24 which is supposed to be at 15% CAGR and in that too also the organized penetration is very less and the people are moving from unorganized to the organized, all the consumers, which is helping us to have this growth.

Now coming to the question in terms of sales per square feet as in our model what we do is that in terms of Tier 2, Tier 3 when we open a store it's more about EBITDA per square feet than the sales per square feet that we take as a benchmark because in Tier 2, Tier 3 the rentals are comparatively very low, than Tier 1 and Metro cities. And that is why the Metro and Tier 1 will have a higher sales per square feet compared to Tier 3 and Tier 4 but the EBITDA percentage would be higher in Tier 3, Tier 4 compared to the Metro and Tier 1.

So it is very subjective depending on the site that we are opening and the strategy for going forward will be the cluster based approach only. So we will be key focusing on these nine states that we are in. Apart from that if there is any extension to these states, for example if there is a store that we have to open in the northeast part, we would like to go over there. There is no issues in that because the assortment that we are planning, it will be suiting that particular region also. The intent will be to grow in the existing region itself.

Chintan Shah: Okay got it understood and secondly, I wanted to understand in terms of competitive intensity in the areas that we are present in, so in terms of organized retail how do you see the competition shaping up and also more specifically just wanted to understand if Zudio is present in any of the regions or near our stores and if you have seen any impact or traction from there if you can help us in that.

Shreyans Surana: So, in terms of geographic presence, yes, we have lots of stores in areas where Zudio is also present but I think the market is big enough for everyone to stay and there are lots of difference between us and Zudio. Also, Zudio is targeting majorly Gen Z consumers and focusing on every day wear. We are more like a family-oriented shopping where you can get ethnic also in our stores for the ladies, you can get kids collection also in the stores which primarily Zudio doesn't offer. So as a result, we both co-exist in lots of places and we both are doing both. Both in terms of revenue and in profitability.

Chintan Shah: So would you try to say we haven't lost any business because of Zudio being present in our region?

Shreyans Surana: Yes, we haven't because what we do is whenever we open a store in a cluster based approach, we try to understand the consumer preference and we try to create the assortment as per their festival needs. Whereas the Zudio model is like a day-to-day wear article more focusing on GenZ which is below 30 years of age and our target is to cater to the entire family. So, we have got all products ranging from ethnic section, to formal shirts category, to festive wear articles. So, I think that is the difference between us and Zudio and specifically the kids for example there is no kids wear in Zudio.

Chintan Shah: Okay I got it and just one last question from my side. So, if you see the Q1 numbers, the private label mix has grown from say 37% last year to somewhere around 52% and ideally, I believe this should be margin accretive. But if I see the Q1 numbers the margin is similar to what we reported in last year in the quarter. So, to understand why has this happened?

Shreyans Surana: So basically it's a pure strategical call that we have taken because we want to establish our private label brands in the market and we have gone for an aggressive pricing on that structure. So we want to - that's why we have increased it from 38% to around 52% in the Q1 and the guidance for this year will be also to go the range will be 45% to 50%.

So we want to expand our private label share and we want every consumer to take the private label articles and to experience that article and next time when they come they ask for that article itself in our store. And after that also, the point of basis percentage has increased in the gross margin from last quarter.

Chintan Shah: Okay so from a long-term perspective what sort of mix we are looking at from private labels and if you can also help us they're going to go aggressive in pricing, so in terms of margins basically what would be a guidance from a 2 year, 3 year perspective?

Shreyans Surana: So sir in terms of margin our margin will range from 33% to 34% for the entire financial year and the guidance for the private label contribution will be between 45% to 50% for the entire financial year FY25.

Chintan Shah: Okay fine. Thank you.

Moderator: Thank you. The next question is from the line of Kapil Jagasia from Trust Mutual Funds. Please go ahead.

Kapil Jagasia: Yes a couple of questions from my side how much these core and focus states would be growing for you and what would be the trajectory going ahead that would be the first question and second question would be this accidental fire event, any reason for this non-intimation because during the IPO this thing was not mentioned and any spillover of this event on earnings for Q2?

Nitin Singhania: Sir regarding warehouse fire the same was disclosed under the risk factor in the offer document where we have said that INR50 crores of inventory was burnt out and INR8 crores of PPE was also we have a loss of that. So that was covered in the offer document and regarding that we have taken 10.76 as the exceptional loss being keeping prudence in mind. So our stat auditor has also suggested that we should take the loss which are not covered by the insurance company so as in prudence we have taken this into accounts.

Kapil Jagasia: Okay and any spillover seen in this Q2 quarter?

Shreyans Surana: Regarding the revenue in terms of revenue you are asking?

Kapil Jagasia: No in terms of provision or anything would be there in Q2 or everything is covered in Q1?

Shreyans Surana: Everything has been covered in Q1 and in terms of core and focus that you asked. So in terms of core states - in terms of focus states for Q4 FY24 we had 33 stores and for FY24 we were at 121 stores.

Kapil Jagasia: Yes and how they would be growing separately the core stores growth…

Shreyans Surana: Basically the focus will be to grow core at a higher level where we are present the states like Bengal, Assam, Odisha and Bihar and the focus states majorly is UP and Jharkhand which is a growing state for us. So I think the ratio typically you can say is that around 70% stores are typically gets opened in the core and 30% in the focus.

Kapil Jagasia: Right so the mix would be kind of similar for core of FY25?

Shreyans Surana: Yes you can assume so.

Kapil Jagasia: Sure and how much would be the full price sales for us with this private label contribution going up, would we be seeing this contribution also increasing?

Shreyans Surana: So for FY24 it stands at around 86% of the sales came from the full price sale through for FY24 and I think we intend to maintain the same rate for this year little bit on the better side you can say.

Kapil Jagasia: Sure that's it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Palash Kawale from Nuvama Wealth. Please go ahead.

Palash Kawale: I hope I am audible.

Moderator: Yes sir you are audible. I would request you to please use your handset.

Palash Kawale: Sir congratulations for a good set of numbers and thank you for the opportunity. Sir my first question is on a store count, so how do you see store count panning out in say next 2 years, 3 years?

Shreyans Surana: So on an average we would like to grow between the range of 40 stores to 50 stores every year.

Palash Kawale: Okay and in terms of gross margin do you plan to maintain the similar gross margin for upcoming years also?

Shreyans Surana: For this year the guidance would be between 33 to 34 and on the coming years there will be little increase in the margins.

Palash Kawale: Okay and sir my next Yes most of my like all my doubts have been answered so Yes that's it from my side.

Moderator: Thank you. The next question is from the line of Raj Shah from Ambit Asset Management. Please go ahead.

Raj Shah: Thank you for the opportunity. Sir I wanted to understand how is your…

Moderator: Sorry to interrupt you sir. May I request you to please use your handset.

Raj Shah: Hello can you hear me now?

Moderator: Yes sir. Please go ahead.

Raj Shah: I wanted to understand what is our inventory policy like what is the average number of inventory days we hold and if suppose any merchandise gets around 2 months to 3 months old, so what is the discounting that we take?

Shreyans Surana: So generally as on 30th June as we speak our inventory days are 120 days on sales and generally we have a policy in which we try to liquidate the inventory during the end of season sale, that is why our 86% of the sales comes from the full price sales through.

Raj Shah: Okay. Yes and from the IPO proceeds like what kind of debt reduction would we see going forward and how much of this capital will be used for store expansion?

Nitin Singhania: So as you see the offer document INR146 crores was intended to repay our debts and balance was to improve the working capital or for growth strategy. So as of Q1 FY25 the total bank borrowings was 153 and with the offer proceed we will intend to reduce it further.

Raj Shah: All right. Yes and just the last question so in terms of new designs, so every season what kind of new designs do we take and what is the average period of design conceptualization to reaching the shelf?

Shreyans Surana: So it's a period of 6 to 9 months typically. So for any season the designer and the merchandiser both work with the manufacturer. They curate what is the trend that is going to be coming - which is going to be for the next season. They create a mood board and depending on the that they curate all the articles range and they showcase their presentation. And then the product is selected. So, typically end-to-end from designing to giving order to the vendors. And to the delivery it is a cycle of six to nine months.

Raj Shah: And what percentage would be in-house designing?

Shreyans Surana: So, basically we have got in house 57 people team, including the designers, quality checks and the merchandiser who sits together. And they work together on the design part and on the different merchandising part. And with the help of manufacture they curate those designs and that articles.

Raj Shah: So everything is designed in-house? Like…

Shreyans Surana: So, see basically it doesn't work exactly in terms of designing. So, there are lots of times it's only a fabric when you play in a garments it's not only a design part. So, when the fabricator shows you different fabrics that this is the fabric this is a for example this is a floral prints that is going into this particular summer season. And this is the color combination of pastel shades which is going to be very hit for the trend.

So the merchandiser's role is to select from those fabrics. And on those fabrics they try to play it on because we are a value fashion retailers so it's more of a fast fashion on that particular fabric they conceptualize and design.

Raj Shah: Understood. Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Abhishek from AB Capital please go ahead

Abhishek: What will be the ROE trajectory going forward?

Nitin Singhania: So ROE in FY '24 we had 11%. And going forward we will intend to be in between 11% to 13%

Abhishek: Okay and what will be the sales growth going forward on the SSG side?

Shreyans Surana: So last year FY24 we did 9.54% as the SSG growth. And this year we started with the guidance of 8% but the way we are seeing the traction coming from all the geographies. We have increased our guidance from 8% and we have changed it from to 9% to 10% will be the guidance for this entire financial year and as of SSG. And as on 30th September as we speak our SSG stands at 41%.

Abhishek: Okay. Thank you.

Moderator: Thank you the next question is from the line of Prateek Giri from Subh Labh Research. Please go ahead.

Prateek Giri: Mr. Surana congratulations on successful listing and thank you for giving me this opportunity Mr. Surana two-three questions from my side. First one is, we have already seen around 15-20 stores being opened during this IPO process. How many more store addition do we see in FY '25? And of what typical size we are planning these store addition in? And this one more in this is how much time does it take for us to turn EBITDA positive on a store level after we open a new store, this is the first question?

Shreyans Surana: So in terms of store expansion 35 to the 40 stores are that we are targeting for this financial year FY '25. And in terms of the store EBITDA you can say that the because we are in the this value fashion retailing. And we are primarily into this festive driven economy. Generally on an average for the entire financial year that any store which opens in to a particular financial year it gets the operational EBITDA positive in that particular year itself. So from the first year itself it's a EBITDA positive store for us.

Prateek Giri: Got it. So you mean in FY '25 there is to be around 20 more stores to be opened. And within one year are the stores on EBITDA positive correct?

Shreyans Surana: Correct.

Prateek Giri: Understood. Mr. Surana my second question is on the growth roadmap for next three to five years, if you can allude what is the north side we have set for ourselves? We are already around 185 stores. And what is the plan for say next three to five years in terms of number of stores where do we want to reach in that in that KPI?

Shreyans Surana: So we intend to double our store count on next three years.

Prateek Giri: Okay, understood. Anything further you would like to add in profitability or something because growth definitely will come with incremental stores but guarding the profitability any thoughts on that?

Shreyans Surana: I think see in terms of profitability, we are we are right now also if you see, in terms of profitability. We are at a pre-Ind AS level. At pre-Ind AS levels we are already for FY '24 at 3%. And for FY '25 our guidance will be within 3.5% to 4%. And our target is to reach to a profitability target of 4% to 5% maybe in two years’ time, post that we would like to give all the entire extra profit that whatever we earn to the consumers itself.

So that see we can have a higher command over the product and the consumer section that we are dealing in.

Prateek Giri: Understood, very helpful. So, and just -- the second question is, sorry the third question is on the inventory management side. Probably what we have is something around 2.5 tons to 2.6 tons whereas a few other people in the industry are doing a number which is higher than this. So how do you look at this KPI? Is there a incremental scope of turning the inventory more number of times generating more profits from the same capital? Any thoughts on that…

Shreyans Surana: As you….

Prateek Giri: Sorry to interrupt Mr. Surana.

Shreyans Surana: Yes. Please you go ahead with your question.

Prateek Giri: Yes the role of technology in this because we have retailers in India who have been doing phenomenal job in inventory terms and generating profits on that. So, how do you look at the role of technology in this? And your target for inventory terms?

Shreyans Surana: So coming to the first question, see in terms of inventory now because we are East India Player now so typically the 31st march and 30th September for us looks very higher on the inventory because of the some festivals going in the month of April and October. Which is not a correct inventory for the entire year that way. And second thing is because we are a growing company and the annualized sale has not been taken in account but the inventory has been taken in the account.

So as a result inventory days looks little higher but that's not the actual picture for the actual picture. And coming to your second question regarding that technology, Yes we are investing heavily in the technology. So we have just created an ultra-modern facility in our warehouse which is of 1.8 lakh square feet. And we are trying to reduce the timeline between a store supply from warehouse to store because we are seeing that the faster you supply to the store higher will be the sales achieved in the store.

And higher will be the turn, lower will be the aging inventory. Plus the experience that we are getting when we are entering into a geography we are after spending three four years in the geography in terms of cluster based approach that we are following. We tend to understand what is selling and what is not selling. So I think all this combined knowledge we are putting it in our on the tech part we are building that logic and algorithm, which is helping us to improve inventory done in the stores also.

Prateek Giri: Understood. 30th September…

Moderator: Sorry to interrupt you sir, may I request you to please rejoin the queue for your follow-up question.

Prateek Giri: Ma'am this was just a clarification if you may allow.

Moderator: Okay.

Prateek Giri: I was just asking the 30th September balance sheet number will be a fair figure sir?

Shreyans Surana: Correct. There's a 30th September and 31st March will be on the higher side in terms of inventory weightage, because of our seasonality factor.

Prateek Giri: Okay. So, you're saying both the dates will have a heavy inventory in the balance sheet?

Shreyans Surana: Right. Correct.

Moderator: Thank you. The next question is from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: Sir you have guided for 25% growth right?

Shreyans Surana: Correct.

Raaj: So, you will be doing around INR1,250 crores to INR1,300 crores range as for full year FY '25?

Shreyans Surana: The guidance is around 25% which is around INR1,220 crores from INR973 crores. INR1,216 crores to be precise. The guidance that we have given.

Raaj: All right. And sir you guided for PAT of around 3.5% right 3.5% to 4%?

Shreyans Surana: On pre-Ind AS levels being excluding exceptional losses.

Raaj: Sorry?

Shreyans Surana: Excluding exceptional losses.

Raaj: Excluding exceptional losses, all right. So…

Shreyans Surana: Yes you're audible.

Raaj: When we say pre-Ind AS, so what exactly do we mean, pre-Ind AS and post-Ind AS?

Nitin Singhania: So we are taking a rental into account while calculating pre-Ind AS it is as per IGAAP and Ind-AS is as per means accounting standard.

Shreyans Surana: So basically, what happens is that now in terms of rentals, the rentals are discounted at a banking rate which increases the interest cost on the financial portion in terms of Ind-AS which is the accounting standard that we follow for the listed entities and in which we provide our result but on the IGAAP section the PAT tends to be on higher side than the Ind-AS level. Because of the actual booking of rentals.

Raaj: So, what you are trying to say post-Ind AS PAT would be lower right?

Nitin Singhania: Yes, as per Ind AS it will be lower.

Raaj: All right. So, how much of PAT are we expecting as per Ind AS?

Nitin Singhania: It range between 2.5% to 3%.

Raaj: 2.5% to 3%.

Nitin Singhania: Yes. Before exceptional losses.

Raaj: All right. So, we are expecting a PAT of around 35 40 around I guess?

Nitin Singhania: Yes.

Raaj: All right. And sir if I look at your inventory, sir if I look at the trade payables. Sir trade payable days for FY '21 around 121?

Nitin Singhania: Yes.

Raaj: Do we expect FY '25 payable days also to be in the similar range?

Nitin Singhania: No, this will be on a decreasing trend because post IPO, we will be having ample cash flow to reduce our trade payable days.

Raaj: Okay. And how much of these trade payables are to -- our related parties?

Shreyans Surana: So in totality FY '24 the 3.36% was the percentage of total data by transaction that has been done for the year.

Raaj: I just if I see your payables are around INR262 crores right for FY '24 end?

Shreyans Surana: Yes

Raaj: Sir, how much of these INR262 crores belong to related parties?

Shreyans Surana: This number is not handy right now. But as I said in terms of percentage 3.36% is the total buying that has been done with the last year with the related party.

Raaj: All right. And sir one more thing I am intending to ask, see you have given a business update for Q2 FY '25 right? So, looking at the updates I feel that the guidance which you've given is a bit on a conservative side, realistically you would be able to grow slightly higher than the guidance figure of 25% I think?

Shreyans Surana: I think if the guidance is given, the guidance is good for the company. But yes, we want to take a prudence approach in that and we would like to stick with this guidance only right now.

Raaj: All right. And sir you also said you wanted to have a PAT of around 4% to 5% over next two years' time. So, is this PAT of 4% to 5% pre-Ind AS or post-Ind AS you have said?

Shreyans Surana: So, it is a PAT of post-Ind AS 4% to 5%.

Raaj: Post-Ind AS right? All right. Thank you.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

Sunil Jain: Yes. Thanks for that, my question got answers thank you very much.

Moderator: Thank you. The next question is from the line of Abhishek Kumar from Sanctum Wealth. Please go ahead.

Abhishek Kumar: Hi, good evening. Congratulations on good set of number. My question was at first on your strategy on focused states given that a majority 80% of our store count currently are in core states and as I heard you well that 70% of the new stores will be in the core stores and the rest of the 30% will be focus stores. So, what exactly will be the strategy going forward for focus states, because as I've seen in U.P, Jharkhand relatively bigger and especially – given the size, so what exactly is your strategy over there? That's my first question.

Shreyans Surana: So, the ratio will be 70:30 also till the store becomes, that is still a store the focus states becomes into a core states so typically for the next two years the strategy will be simple 70% will be in the core and 30% will be in the focus states. It is a number of stores that we are going to open.

Abhishek Kumar: Okay and then my question I had the perspective of store size. So, I don't think see the store size as like the size will reduce. So is it like a temporary thing or what exactly is the reason behind it or are we kind of recalibrating our store sizes or the nature of which we are opening?

Shreyans Surana: Actually, it depends on the generally we are opening in Tier 2, Tier 3 and Tier 4 cities now so we have reduced the store size to optimize the level in terms of sales and whenever we are opening the cities also sometimes the stores that we are getting is at a lower size that is why end to end the store size looks on an average around 8,000 square feet that we are opening.

Abhishek Kumar: Okay and we have only one kind of format right or are there like more than one kind of format let's say like a smaller store or a large format store or blanket only one kind of store format is there?

Shreyans Surana: There is no such as format so basically, the lowest store that we have is got around 4000 square feet and the largest is around 28000 square feet in terms of retail area. So depending on the store size we curate the assortment.

Abhishek Kumar: Okay. And there where you have say, example in a particular area you have a bigger size format store so around that you will be like a smaller one right?

Shreyans Surana: I didn't get your question can you come again?

Abhishek Kumar: So, which are typically the areas where you decide upon opening like a bigger size store, compared to a smaller one, which are the locations of the cities, what exactly are you doing?

Shreyans Surana: Generally, it's a metro and a Tier 1 cities where we decide and again it totally depends on the site for example, if we are only one over there and we see a lot of potential in the market and if we get that actually the getting to get the such a big size also a very difficult task, on an average you generally get 8000 square feet stores only across, so 90% stores typically will be around 8000 only that you get, there are 10% stores but if there's a market potential we tend to take bigger stores also.

Abhishek Kumar: And the last question was on the fire incident, which occurred in the warehouse so what exactly happened and what measure you as a company are going to take in order to avoid such incidents in going forward given that, we are on a high growth trajectory and we are a growing company and we wont want these kind of situations to come so could you like give your take on this?

Shreyans Surana: So, actually the fire broke out in the nearby warehouse, and through which it traveled to our warehouse, and to in order to we have taken all the measures that we can take on the fire part even the new warehouse we have created all the modern equipment that we have given, but again saying to that the first thing that we have did is that we have tried to separate our warehouse from the other warehouse, we are not keeping it on a one boundary wall going forward, which is our learning from this fire.

Abhishek Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Yash Sonthaliya from Buoyant Capital. Please go ahead.

Yash Sonthaliya: Hi, thanks for the opportunity and congratulations for good set of numbers. So my first question is sorry, if I'm asking this again but, can you help me understand how much of your inventory will be more than 1 year older and how we plan to discount it like, how the discounting works in our store?

Shreyans Surana: In terms of percentage we generally don't mention it, but the way we discount is that we have a internal policy with the operation team and the merchandising team, in which they have an operative lifecycle management system, through which they try to gauge which is a moving and non-moving inventory and accordingly they plan a discount on that, and typically our average SP is also very low, so while giving a little discount also we are able to liquidate more on the inventory side.

Yash Sonthaliya: And what is the number for more than 1 year older inventory sorry?

Shreyans Surana: So, we cannot comment on that right now.

Yash Sonthaliya: And like our revenue per store or revenue per square feet is still quite lower from some of our peers, so is it because of the higher mix of new stores or is it because of different strategies or the SPSF and what do you think it is or?

Shreyans Surana: It is generally, lower because on the strategy for Tier 3, so we have a higher presence in Tier 3 and Tier 4 cities, where we generally tend to take a building that we have taken as a result the rentals are very low, so EBITDA is very good, but SPSF looks lower on those areas.

Yash Sonthaliya: And like in last few years, all the companies in the industry has grown well and now everyone is having the ambition to grow by 40, 50 stores a year, so will it impact structurally on revenue per store or square feet for all the companies, because then everyone will be entering each other's states or cities or towns so?

Shreyans Surana: I will tell you, the market is big enough for everyone, because right now also if I see the most of the places where we are in Tier 2, Tier 3, there are only two to three stores organized level stores right now. And the major part of channel still going with to the unorganized market, and as the market expand I think, the way we are seeing traction, huge traction is coming from unorganized to the organized section.

So there is enough room for everyone to stay, yes but the people who will invest in technology who will invest in the process I think they are tend to grow, will be able to sustainably grow the number of store counts, because retail is very simple that way it's not nothing out of box but you have to have a strong processes and investment in technology to grow sustainably.

Yash Sonthaliya: Thanks for answering all the questions, that's all from one side best of luck.

Moderator: Thank you. The question is from the line of Naitik from NV Alpha Fund. Please go ahead.

Naitik: Hi sir, thanks for taking my question, congrats on a very good set of numbers. So my question is on the geographic concentration that we have, so almost 50% of our revenue is concentrated to West Bengal, so any thoughts on or strategies on reducing that concentration of revenue? And where do we see this going forward in say 2 to 3 years is it going to come down or what is going to remain the same?

Shreyans Surana: So gradually, we are entering into the newer territories in the focus markets also and even in the core markets, so from whether it was very high or in last 3 or 4 years ago, right now it has reduced substantially very low and as we speak the concentration on the Bengal side as on FY24 is around 45% revenue coming from the Bengal, but it will reduce in the near time also, in the next 2 years, 3 years and in the Q1 FY25 42% of the revenue has come from Bengal.

Naitik: And my second question is, if you could give a little more color in the light that 45% of revenue is concentrated to West Bengal and the Durga puja season is probably 10 days earlier this time, so how will that affect us going into Q3 and if you could give some color on that?

Shreyans Surana: So as I said, for the entire financial year, as I said the 25% will be the guidance, and right now I cannot comment on the quarter 3, because it's a Q1 business update, but the flavor will be around 25% in terms of calculation you can count that that way how much it will be.

Moderator: Thank you. As there are no further questions. I would now like to hand the conference over to Mr. Suyash Samant for closing comments

Suyash Samant: Thank you for joining us today, feel free to reach out to Stellar IR Advisors in case of any queries. Thank you.

Moderator: On behalf of Baazar Style Retail Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.