



“Metro Brands Limited Q3 FY22 Results Conference Call”

January 17, 2022



MANAGEMENT: MR. RAFIQUE MALIK - CHAIRMAN, METRO BRANDS LIMITED
MRS. FARAH MALIK BHANJI - MANAGING DIRECTOR, METRO BRANDS LIMITED
MR. NISSAN JOSEPH - CHIEF EXECUTIVE OFFICER, METRO BRANDS LIMITED
MS. ALISHA RAFIQUE MALIK - PRESIDENT E-COMMERCE AND MARKETING, METRO BRANDS LIMITED
MR. SOHEL KAMDAR - CHIEF OPERATING OFFICER, METRO BRANDS LIMITED
MR. KAUSHAL PAREKH - CHIEF FINANCIAL OFFICER, METRO BRANDS LIMITED
MODERATOR: MR. GAURAV JOGANI – AXIS CAPITAL

Moderator:

Ladies and gentlemen, good day and welcome to the Metro Brands Limited Q3 FY22 results conference call hosted by Axis Capital Limited. 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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now have the conference over to Mr. Gaurav Jogani. Thank you and over to you, sir.

Gaurav Jogani:

Thank you, Faizan. Good afternoon, everyone. On behalf of Axis Capital, it's my utmost pleasure to welcome you all to Metro Brands maiden earnings conference call. From the management we have with us today, Mr. Rafique Malik, Chairman; Mrs. Farah Malik Bhanji, Managing Director; Mr. Nissan Joseph, Chief Executive Officer; Ms. Alisha Rafique Malik, President E-Commerce and Marketing; Mr. Sohel Kamdar, Chief Operating Officer; and Mr. Kaushal Parekh, Chief Financial Officer.

I would now like to hand over the call to Mr. Nissan Joseph, for his opening comments, post which we can take the call for the Q&A.

Nissan Joseph:

Thank you, Gaurav, and good afternoon, everyone. Thank you all for joining our first quarterly analyst call for Q3 fiscal year '22. We're very excited about the quarter we just completed. Our revenues were up 59%, our EBITDA was up 69% and our PAT was up 53%. All in all, it was the best quarter for Metro -- in Metro brand's history in

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revenue, EBITDA, and PAT. Apart from this, we're also very excited on a couple of other factors. One is that we've seen traction in our stores across all the tiers that we operate in. From the Metro cities all the way down to Tier 3, all of them showed traction in increase of sales. Along with the fact that each of our concepts of Metro, Mochi, Walkway and Crocs all also grew through this period of time. And layered on top of that with the business of -- with the e-comm business that grew a 114% in the last quarter, continuing its growth to get to double-digits almost for the year, this year.

Apart from this, we also want -- like to update you that we have signed the FitFlop agreement that gives us the distribution rights for all of India and that allows us to sell it in our own multi-brand stores, we can open EBO stores and we will continue to distribute the product through our e-comm channels and our Omni business.

And lastly, before I turn it over to Kaushal, I would like to reiterate that we feel very good about the quarter we had. We do understand that there are some headwinds possible from the COVID issues facing the country, but we are ready and able to face them as we've done ably in the last few months. And also we will reiterate that we would feel confident about hitting our goal that we stated in our RHP of 260 stores over the -- 260 new stores over the next three years.

With that, I'd like to turn it over to Kaushal to take -- give us some granularity on the numbers.

Kaushal Parekh:

Thank you, Nissan. Good afternoon, everyone, and welcome to Q3 earning calls of Metro Brands Limited.

The quarter under review saw a phenomenal recovery, especially after first half of the year, which was dented or impacted due to COVID second wave. In fact, Q3 FY22 was a first quarter, post onset of COVID-19, where we saw minimal COVID-related restrictions. Robust recovery in customers sentiments, which we started witnessing from August '21 onwards continued in Q3 FY22 and this helped us register our best quarter ever in terms of quarterly sales, store opening targets, EBITDA and PAT.

Now let me start with a quick snapshot of financial performance of Metro Brands Limited. Let me start with revenues. On a Y-on-Y basis, Q3 FY22 revenue was up by 59%. For nine months FY22, our revenue was up by 95% over last year. If we compare this, even with pre-COVID level, I'm comparing Q3 FY20, our revenue was up by 38%. As Nissan mentioned, we would also want to highlight again, strong growth momentum, which we saw in E-commerce sales is continuing. On a Y-on-Y basis for nine months FY22, overall E-commerce sales, revenue is up by 114% over last year.

Moving on to gross margins, at a consolidated level for nine months FY22, we delivered strong gross margins of 58.1%. Higher gross margin was primarily due to lower contribution of discount sales and improvement in overall sales mix. We saw our in-house product contribution going up to around 72% versus 69%, 70%, which we saw in last year. However, in coming quarter, we expect our gross margins to normalize back to around 55% to 56%.

This is the level that we have seen as an average over last three to four years.

Moving on lastly, to EBITDA and PAT, in Q3 FY22, we delivered best ever EBITDA of 34.9% and PAT of 21%. Similarly, for nine months, FY22, despite adverse impact of COVID in -- COVID second wave in first quarter, we delivered best ever EBITDA and PAT of 29.8% and 15.4%, respectively.

With this, I'll conclude my financial summary. We are now open to Q&A.

Question and Answer

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Reminder to the participants, anyone who wishes to ask a question may press '*' and '1'. The first question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah:

Hi, thanks for the opportunity and congrats on a very good set of numbers. So, first question pertains to the demand environment in general. So, how should we read such a strong recovery, was it -- was there an element of pent up demand as per your read or this is a genuine recovery which happened, which is sustainable, must we cross again this Omicron hurdle, you believe that the recovery can actually suppresses as an upside again?

Nissan Joseph:

Thank you for that question. So to give you some granularity, as I mentioned in the opening remarks, we've seen it across the tiers of business that we operate in. We've also seen the demand come very strongly in our E-commerce business, and that was accretive to our business and not cannibalistic. We also saw it in all of our core concept. So that's the foundation of it. The second part of it is when you look at the categories of shoes that are selling, we've seen traction, beyond just the casual footwear that we normally see during the COVID times, we've seen great traction in our festive, we've seen great traction in our wedding collection, but surprisingly also our formal collect has held up pretty well, through the spirit of time too. So looking at the demand that we are seeing across genders, across categories, across concepts, across tiers, we feel very strong about the consumer sentiment through Q3. And we see that -- we see no reason for that diminishing. There was a small portion of pent up buying that probably came in the festival and the wedding collection. But for the most part, demand was quite evenly spread that gives us hope.

Tejas Shah:

And sir, do you believe that we would have gained substantial market share in the quarter considering the growth that we have reported or you saw similar demand across for the category?

Nissan Joseph:

So we would like to comment on what we did. I am not privy to the numbers of the other people, but we did post a solid growth over our pre-COVID numbers. We did open up quite a few new stores in the last quarter. All of those would indicate that we are headed in the right

direction. What that is or how that is, I couldn't quantify, but I think these are all indicators that Metro Brands is headed in the right direction.

Tejas Shah:

Sure. That's very helpful. And sir lastly, can you help us with two year CAGR for the 3Q?

Kaushal Parekh:

Two year CAGR for revenue?

Tejas Shah:

Yes, revenue and PAT both.

Kaushal Parekh:

So, two year maybe would be a much shorter period because of COVID and various impacts. But if I was to give you a slightly longer horizon, Tejas, then over a 10-year period, we've seen a revenue CAGR of 17% and a PAT CAGR of 18%. If you take five years, I'm excluding COVID-related impact here and I'm taking historical numbers till FY20. If I take for -- if I see revenue CAGR for last three years, it would be about 12% and PAT CAGR was around 18%.

Tejas Shah:

I was asking pertaining to 3Q...

Kaushal Parekh:

Because it was impacted due to COVID.

Tejas Shah:

Hello?

Kaushal Parekh:

Yes, Tejas, what I said was I've excluded FY21 as it was impacted due to COVID.

Tejas Shah:

Yes. But 3Q FY21 would not have impact of COVID. So that's -- I just wanted to see two year CAGR that way. Any ways I will take this offline. And then lastly, if you can come on -- you briefly mentioned about raw material inflation in your presentation and then also some interventions which have been made, if you can elaborate on that point, what interventions have we made and what proportion?

Kaushal Parekh:

So, Tejas, as we've mentioned in our presentation, we are seeing inflation impact in our raw material cost, which would be ranging around say 4% to 5%. In terms of steps, I would say we work with network -- vendor network base up around 250 vendors. So we are closely working with them to ensure that we cushion the expected MRP rise, which will happen over a period of time. Most importantly, we had seen -- we had expected supply chain disruption due to earlier COVID wave and hence we sort of stocked up for our seasons as well. So we are well stocked up and this is all come at pre-inflation price. However, having said that, we expect some increase to happen over a period of time and we feel we should be able to absorb a bit of it between ourselves and our vendors and obviously certain amount would get passed on to our customers. For our Walkway brand, which is our value format, it was also impacted on account of increase in GST rates effective 1st of Jan. There we have taken corrective measures to ensure that our numbers and our gross margins are not impacted.

Tejas Shah:

That's very helpful. Thanks and all the best.

Moderator:

Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

Bhargav Buddhadev:

Yes. Good afternoon team and thanks for the opportunity and congrats for a good set of numbers. My first question is, is it possible to share what has been the rent cost in nine month FY22? And if we have to compare it with two year period before which is nine month FY20, what was the rent cost then?

Kaushal Parekh:

Sure, let me take that question. Our rental cost was in the range of 13% - 13.5%, which is very comparable with the rental cause that we saw even pre-COVID. I would want to highlight here, we share very deep relationships with our landlord partners. During first wave, second wave of COVID there was a good discussion between us and them. And as a true business partner they extended waivers to us to ensure that we sustain the COVID impacted period and this helped us sort of maintain our rent ratios at a reasonable levels.

Bhargav Buddhadev:

So, as such there was no savings in rent cost in the current quarter as well, right?

Kaushal Parekh:

No, there, -- if you see for a quarter, it may not be a right way to see it because obviously Q3, obviously, is the best quarter out of the four quarters in a year. If you see for nine months ended FY22, we had say one of the best quarter in Q3, and then we had Q1, which was impacted due to COVID third wave. So I think it got balanced out for nine months as a whole, and this has helped us sort of to maintain current ratios at that level.

Bhargav Buddhadev:

Second, is it possible to share what has been the operating cash flow and free cash flow generation in the nine months?

Kaushal Parekh:

So, I will get back to you on actual -- on exit numbers, but as I said, we had -- we are a free cash flow generating entity and we have been paying dividends to our shareholders since 2000. So, even in this nine months, cash flow generation was strong, in spite of increase in inventory that we -- that I mentioned as a built up towards the festival season.

Bhargav Buddhadev:

And lastly, on this new tie up that you've done with FitFlop, is it possible to share some numbers in terms of what could be the revenue potential which you might be targeting and is the current guidance of new store includes the FitFlop stores as well or that could be over and about that?

Nissan Joseph:

All right. So, Bhargav, let me take the last question first. The 260 stores that we guided to do not include FitFlop stores. So, any FitFlop stores that we open will be above and beyond these 260 stores. So, that's number one. Number two, to give you an idea of the revenue projections without any forward-looking statements, what I can tell you though is we've done -- we've sold FitFlop for the last four years, albeit through another source. And what we've seen is great traction in that brand. It is a -- the average FitFlop sales for approximately Rs. 5,000, and that plays to our affordable, aspirational and premium footwear space that we play in very well. So it fits with our current consumer very well, number one. Number two, we are able to now take that business and make sure that we adequately supplied, which we've never had in the past for our own multi-brand stores. So, that's number one. So, that's a piece of business we expect to see grow compared to what we've done with them over the last four years. The new business to us out of this deal would be opening up exclusive brand stores and we're currently charting the course to see how many we can open inside this fiscal year and in the fiscal years to follow. The third piece of that business that we never had and is new to us is the E-commerce business. So we will be able to sell out

marketplaces through own dot coms and of course activate the omni channel function of our e-commerce feature. And the fourth one, I guess surprisingly, we will actually be supplying FitFlop to some of our competitors, but being brands steward that's what we would do to ensure that the brand has great and good penetration throughout India. So the FitFlop piece, while I don't want to give any specific forward-looking numbers, I think you can gauge has a lot of opportunity for growth still in our portfolio.

Bhargav Buddhadev:

Great. Thank you very much for your answers and all the very best.

Kaushal Parekh:

Thanks, Bhargav.

Moderator:

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

Ankit Kedia:

Thank you. Sir, my first question is, can you talk to us regarding the gross margins in Q3 FY20, because Q3 is always going to be lump quarter and seasonality will play a big role. So, it will help us understand that, this time in Q3, has there been an abrasion in gross margins or typically Q3 is always good in gross margins?

Kaushal Parekh:

So, Q -- Ankit, thanks for asking that question. Q3 is always good in terms of gross margins, because most of the sales that happens in this quarter is full price sales. If I have to give you gross margins for FY20 in third quarter, it was around 56% - 56.5%, whereas we delivered 59.1% for quarter 3 FY22.

Ankit Kedia:

Sure. My second question is we have opened more than 30 stores in the quarter, but if I look at other expenses, because lot of our employee cost is variable in nature,

which comes in other expenses, lot of the marketing spends are also variable, and if I look at from a percentage terms even last year of Q3 is slightly on the lower side. So, how is that -- what have we done, has the A&T been significantly low in the quarter and that could come back in subsequent quarters or this is the new normal?

Kaushal Parekh:

No, I think our advertisement spend was around that 3% mark which we generally do. As you likely said, Ankit, our other expense includes variable commissions that we pay to our staff as well as to our landlord partners. So to a significant extend it moves along with the increase in sales.

Ankit Kedia:

Yes. But if I look at quarter-on-quarter basis, we have not seen that increase despite a strong top line growth. So that's where I'm coming from.

Nissan Joseph:

Ankit, we are seeing it, we -- for the same quarter in the year before, the other expenses were 54 crores, and then this year it is 85 crore. Was that the different number you were looking at?

Ankit Kedia:

Because we have also done multiple stores openings in the quarter, so I presume that a lot of the cost would also come on back of stores opening, and hence, is this number sustainable going forward or not?

Kaushal Parekh:

Yes, so, Ankit we don't do significant expense on store opening. Obviously, once the store opens, store expense towards fit out gets capitalized, and we incur some -- obviously, some cost for promoting that store. So that cost goes into our marketing costs, but we feel this cost that you're seeing in other expense would be sort of sustained over a period to a certain extent.

Ankit Kedia:

Sure. And the last question is on the ASP...

Kaushal Parekh:

And in terms of percentage, we are not seeing, I'm not sure if you're referring to right numbers, but it's in that range of 18%-18.5%-19% to revenue. So, it's not that significantly different quarter-on-quarter as well.

Ankit Kedia:

Sure. My last question is on the ASP. If I look at some FY21 ASP to nine month ASP, we have seen nearly a 10% increase in Metro, 8% Mochi, and a small number in Crocs. So, is it due to the mix change or during the year we have taken price increases in these products?

Nissan Joseph:

No, we have not taken any price increases coming up to this point. What we have seen is the customer desire to buy a higher number of products, a higher percentage of our sales in the 3,000 plus category, number one. Number two, we've seen a decline in the category of below Rs. 1,500 of shoes being sold. So the ASP increase has come from our mix of goods predominantly and not because of price increases up to this point. Of course, going forward, there will be some price increase impact to that ASP as well. But having said that, it will probably be normalized because we now go into the end of season sale period this month. So that tends to have a normalization of that number as we come to the backend Ankit.

Ankit Kedia:

Sure. That's helpful. Thank you so much and all the best.

Moderator:

Thank you. Reminder to the participants, anyone who wishes to ask a question may press '*' and '1'. The next question is from the line of Jignesh Kamani from GMO and Company. Please go ahead.

Jignesh Kamani:

Yes. Hi, congratulations for a good set of number. Just want to have some color on the SSG trend for the third quarter and a nine month.

Nissan Joseph:

So, while we don't break out our SSG, I'm comfortable in sharing with you that all our channels and concepts and our tiers showed positive growth. If you can look from our store opening numbers year-on-year, you can figure out quickly that we opened fewer stores than our growth, number one. Number two, not all those stores open on the first day of year. So there's also that variable. So, while we don't break it out by SSG, I can tell you this that we are very pleased between the unit growth in terms of ASPs and also traffic growth that we've seen through Q3 and through this period of time that we are pretty optimistic about what that bodes for the demand for our products assuming no COVID.

Jignesh Kamani:

Okay.

Kaushal Parekh:

Jignesh, I will just share one data point with you as I did it in my speech at the time of starting. If we compare our Q3, FY22 growth with Q3 FY20, we have seen overall growth of around 38%. So, it's on a pre-COVID numbers. It's about 38% growth.

Jignesh Kamani:

Understood. Secondly on your gross margin, as the pent up demand and the overall demand was very strong that's why our overall discounting was lower or as a policy we are moving more toward lower discounting?

Kaushal Parekh:

Jignesh, there are two points which led to improved gross margins of 58.9% that you see for nine months. One important reason is lower -- if you see quantum of discounted sales to total sales, it was lower in this nine

months as compared to earlier period. It was sub-5% as compared to around say 9% that we saw in FY21. Second important reason was improvement in overall sales mix. We saw contribution from our in-house sales improving to about 72-odd percent versus 69.5% to 70% that we saw in FY20. So, these two are one of the critical reasons for improvement that we saw in gross margins. Having said that, as I said, even in my opening remarks over a period of time we expect our gross margins to sort of normalize back to around 55%, 56% levels. These are levels that we've seen over last three to four years. We'll also have, as Nissan mentioned just a while back, we will also have a reduction sale like everyone in the last quarter. And that also has gross margins normalization impact when you see for the year as a whole.

Jignesh Kamani:

But, safe to assume that the demand has been very good and our inventory assortment is pretty good. So, lower discounting will continue in future also, right, versus 9 percentile, which we gained 5% in nine month?

Kaushal Parekh:

We track our inventory very closely Jignesh and that sort of helps ensuring that we -- obviously our endeavour is to make sure that lowest quantum of goods goes into discounted sale, so we'll keep working on it. And that's one of our USP as well.

Jignesh Kamani:

Understood. Thanks a lot and all the best.

Moderator:

Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal. Please go ahead.

Aliasgar Shakir:

Yes, thanks for the opportunity. Couple of quick questions. One is, if you can just share some trends about how the situation is on the ground right now. From our

channel checks we understand that while last quarter was pretty strong, but last 15 days to a month period we've seen a lot of softness in demand. Can you share some insights in terms of how the demand trajectory is looking at this point?

Nissan Joseph:

Sure. So towards the last few days of December, Ali, as we did see a slowing down of traffic and a little bit of business as well. While we don't know what is going to happen with the COVID situation. There's a couple of differences between this and the first lockdown. One of them is none of our stores are on total lockdown, unlike the first time, that's number one. Number two, there are some -- a lot of stores that this hasn't affected. And the stores that it did affect have an either an odd even issue of closures and/or they're closed on a weekend and so on and so forth. So what you're seeing is very, a dispersed and a fragmented closure that's happening. So it's not as impactful as COVID one was, So, that's number one. However, we also know that there's a lot of people that are infected, and have to be quarantined. So that has diminished some traffic. But having said that, when you look at the other countries' trajectory, countries that went of this COVID Omicron earlier than us, what we've seen is a fast in, but equally a fast out, right. And I believe the CDC has called this an endemic as opposed to a pandemic. So the -- we are hopeful that this is not going to be as prolonged or as severe as the first two, number one. But number two, I can assure you that the financial discipline and the operational rigor that we have as Metro Brands will come to life, should there be an issue with this

-- a COVID situation that challenges or potentially threatens our business, and we will ensure that we institute our strict measures to come out with again profitability like we did through the toughest of COVID years as a company, and our team is ready and poised, and we constantly continue to monitor the situation on the ground, while being absolutely cognizant that the safety of our associates and employees come first.

Aliasgar Shakir:

Got it. Thanks for that detail and the explanation. Just quickly, I mean, as Kaushal mentioned that if I compare with Q3 FY20, 38% up. So, January would be, I mean, similar or it would be significantly lower?

Nissan Joseph:

Well, I think -- so there's a couple of factors in January, one must consider. So, a lot depends on how much inventory you are willing to discount and sell through your end of season sale, which depends on how clean your inventory is. We're happy to announce that our inventories are relatively fresh and clean. So we might see an inability to sell as much as we did in the ESS [phonetic], which is a good thing on the overall picture, because that should improve our gross margins compared to the last time we went ESS. So that's number one. Of course, there's a whole Omicron thing that is a little hard to predict, and we -- as I mentioned before, we are seeing a little impact in various markets from it. So it's hard to predict how long that'll continue. And also last but not least, I definitely don't want to make any forward-looking statements. I can only give you the trends that are happening in the marketplace today for us.

Aliasgar Shakir:

Sure. Thanks. That's helpful. Second question is quickly on your store additions. Last couple of years, I see we've added nearly about 75-odd stores, but a very large portion of that has actually happened mainly in Crocs, and Metro and Mochi, I see, have added hardly about 10-odd stores. Now, when I compare you with some of your listed peers, they have like stores in multiples, nearly about 5 times the number of stores that we have. So just wondering what is stopping the growth here? Is this maybe more short lived and you will see significant in growth here? I mean, I just want your comments on Metro and Mochi, particularly.

Nissan Joseph:

Sure. So, let me make sure we give the backdrop that the last few years have been affected by the changing -- the implementation of GST, first and foremost, second is demonetization and then of course we had the COVID impact. So, there has been that underlying background of events that happened, that's number one. Number two, Crocs is a relatively new entrant to us, and therefore, was able to scale up quickly, also because we knew exactly where Crocs was going to be successful, having sold in our Metro and Mochi stores. So that's number -- the second part to that. So when you compare the two growths, I think one has an advantage, the Crocs had an advantage compared to the challenges of GST and the challenges of demonetization that happened over the period of time for Metro and Mochi as well. Now, looking to the future though, we feel confident that the runway for Mochi today, Metro, for example, is at 226 stores. If you were to step back and look at it and say, here's a very successful profitable format that only has 226 stores in

India, I think we can agree that there's a long runway ahead for that format. That obviously then lends itself back to the Mochi discussion with 156 stores, there is a long runway from 156 in a country like India, because this, we believe, is going to be the decade for India. We see a lot of positive trends happening, namely one is the increasing rate of urbanization, which means that the number of people concentrating into cities, creating shopping districts is going to increase, so that's number one. Number two, we see a rising middle class and you - - we all know that as incomes rise, so do aspiration and people want the better brands. And as I mentioned before, we at Metro and Mochi and Walkway predominantly play, especially in Metro and Mochi, to the aspirational affordable premium footwear, right. So we see consumers starting to grow as this becomes a decade for India. That's number two. And then what we also find is that the playing of omni -- our omnichannel business, which we've invested heavily in, helps these stores really trigger their inventories as well. So we are able to utilize the inventories in all these stores as we opened them, unlike in the past model where you'd have to keep aside inventory in a centralized DC or two, to support your e-comm business. Now we can have the double effect of the product being able to be sold in one of our stores, as well as be available online. When you look at all these factors and where we're headed, we feel confident that the 260 stores we mentioned will come with a good even split of growth between our concepts, and then again, don't forget, we still have FitFlop to add on top of that.

Aliasgar Shakir:

Got it. So we should see Metro, Mochi also...

Alisha Malik:

I just also want to mention that we have stepped into the sustainability space, with shoes made out of recycled plastic bottles as well as shoes made out of Merino wool. We've also recycled in an eco-friendly manner, more than 130 tons of footwear, old and used footwear. So that's another area of trust for us and it's an area that we're fairly passionate about. It's also something that we hope to grow going forward.

Aliasgar Shakir:

And that will come across brand, right?

Alisha Malik:

That will come across brand, yes.

Aliasgar Shakir:

Got it. So then, going forward, we should see Metro and Mochi seeing similar rate of growth that we have -- we've been seeing in Crocs now, is that a...

Nissan Joseph:

Like I mentioned, we see equal -- a good opportunity for all our brands. I must let you know though that we are very, very disciplined in the stores we open. So it is not a matter of preferring a certain brand or the other. It's a matter of making sure that all our stores, A, meet the needs of a consumer in that market, because we work from the customer backwards; and B, they're going to be financially, accretive to us and add to our portfolio successfully. That's our fundamental filters. In that space, we believe there's plenty of room for Metro and Mochito grow quite well in the next three years.

Aliasgar Shakir:

Understood. If I just slip in the last question on Walkway, can you just share some color about what is the position there? The number of stores have remained there for nearly about close to three years now. We did mention, I think, earlier that we have now taken the franchise route.

I don't know if that is part of these stores that we have mentioned here. So just if you can share some color about, what is the position there?

Nissan Joseph:

Sure. So, the Walkway channel predominantly caters to the value segment. One of the challenges in the value segment as always is that it's not able to play off the E-commerce space as well because of the logistics cost associated with footwear that doesn't sell for much more than Rs. 600 to Rs. 900. Having said that though, we see the market as being very broad. It's a little bit closer to the base of the pyramid when it comes to a market. And we believe that the opportunity is quite solid in this space. What we do at Metro Brands is to make sure that we understand a market position. We understand our unique selling proposition to that consumer. We perfect it, and then we grow forward with it. When we look at opening franchises, we will probably look at opening a few more franchises, but our focus has always been whether it's Metro, Mochi or Walkway is to own company owned, company operated stores. So the Walkway we believe has a long runway ahead of it. But we also want to make sure that we do it right. We're not in a rush to do things. We -- I think our history will show you that even with Crocs, it's not like we opened up a lot of stores in the first couple of years, we get the model right, and then we quickly accelerate the growth beyond that.

Moderator:

Thank you, Mr. Shakir. May we request that you return other question queue for follow up questions. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the

conference, please limit your questions to two per participant. Should you have a follow up question, we would request you to rejoin the question queue. The next question is from the line of Gaurav Jogani from Axis Capital Limited. Please go ahead.

Gaurav Jogani:

Thank you. So, my question is with regards to what is the rent concession that we have received maybe in the nine months FY22 now and verses the nine months FY21.

Kaushal Parekh:

So, it's, Gaurav, for nine months FY22 it was about 26 crores versus 47 crores in last year.

Gaurav Jogani:

Sure. And this would be accounted in the other income line item, right?

Kaushal Parekh:

Yes. And that's perfectly correct. It's accounted in the other income.

Gaurav Jogani:

Sure, thanks. And my other question, sorry. You are saying something? Yes. Sorry. My other question is with regards to the casualization trend that we are seeing across the footwear spectrum and that has been accentuated more now in terms of the COVID that has come in. So, how are we looking to address this opportunity? And are we also looking at some in house brands also towards PAT?

Nissan Joseph:

Sure. So you're absolutely right that the casual trend is being quite strong for the last few years and continues. What really helped last quarter is we also saw other categories kicking in, right. So, but I would club casualization and sports and that whole section together. We have grown our assortment of casual shoes and sports shoes in our stores. We do it both ways with our own brands and other key brands, such as Sketchers and

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Adidas that we've added on recently. But just to give you some color on that, our casual business, for the first nine months of this year, like what most people believe that we tend to be a festive collection or a formal collection, our casual business was almost 50% of our business for the first nine months of this fiscal year. So we play very strongly in this casual space already and I don't think that's something a lot of our investors know. So I want to share that with you. And we play very well in it. We play strongly in it. We have plans of diminishing it. In fact, compared to the full year of 2020, as a percent of business, it is actually continues to grow. So it is becoming an important part of our portfolio. But then again the indication that, as I mentioned earlier, that our price points above 3,000 have grown. Well also indicate that we are not trying to play in a low volume -- low price, high volume space. We are playing at a slightly more premium space in both casual -- aspirational premium, in both casual and sports.

Gaurav Jogani:

Sure, sir. That's helpful. And that's all from me.

Moderator:

Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

Prashant Kutty:

Yes. Hi, thank you for the opportunity and congrats on a good set of numbers. Two bookkeeping questions from me and one a little on the long term expansion part. So, firstly, sir, if you could tell us what is the number of pairs sold or the volume number or the volume growth if you could share that'll be helpful.

Kaushal Parekh:

Prashant, just give me a minute, please.

Prashant Kutty:

Sure.

Kaushal Parekh: Overall volume was about 6.3 million for the nine months ended FY22.

Prashant Kutty: And what would this be, let's say, in Q3, or let's say, the nine month FY20, which was the non-COVID impacted you.

Kaushal Parekh: So, I have full year number FY21, which was around 5.9 million. So, FY21 that's for full year.

Prashant Kutty: FY21, and how much was FY20 sir. Sorry, I was asking the FY20 number.

Kaushal Parekh: For full year it was 8.9 million.

Prashant Kutty: 8.9 million. So, from a volume perspective, we are pretty much not back with the pre-COVID level.

Kaushal Parekh: So, this is for full year. 8.9 million when I'm saying it is for full year FY20, and 6.3 million is what I said is for nine months where first quarter was impacted. So...

Prashant Kutty: Understood, understood .Sure, sure. Sir, one more thing, I don't know, I was looking at a presentation, would -- do you share the segment-wise or the brand-wise revenues in terms of growth rate, would you be able to share that?

Kaushal Parekh: No, we have not shared that. We are sharing overall, revenue growth rates and we are sharing format-wise store numbers and this is -- and both these data points you can find in our presentation, in between Slide 8 to 12.

Prashant Kutty: Sure. But would you at least be able to tell us at least what would like a two, three year CAGR growth rate or maybe a two-year CAGR growth of let's say brands, at least some sense on that?

Nissan Joseph: Well, I would say it's pretty consistent because if you look at the share of brands, and when you say brands, I assume you mean brands that are not in-house.

Prashant Kutty:

Yes, Yes, Yes.

Nissan Joseph:

We have in house brands as well, Prashant. So, having said that, if you look at the ratio between brands, in-house and outsourced brands it has stayed consistent. So, you could safely assume that the growth rate of the brands is consistent with our growth rate -- our CAGR in general. The one thing I do want to point out though is the mix of those brands will change. So, we may drop certain brands as they come in and out of style or we may focus on other brands as we see the demand for them rising. So that's why the mix of the 30% might be different. There wouldn't be a consistent growth for all brands in our stores. But overall the branded piece of the business would have about the same CAGR as the overall business.

Prashant Kutty:

So just a clarification over here. When you say in-house versus outsourced, would you mean to say that a Metro, Mochi would have same growth rate like a Crocs. Would that be a -- would that -- is that the way one should look at it?

Nissan Joseph:

So, in our Metro stores and our Mochi stores, the answer is yes. So, our -- the brands that we own in Metro, the brands that we own in Mochi would have the same growth rate as any of the external brands that we carry such as Skechers and so on and so forth. It might change for a particular brand. It's hard for me to pick out one particular brand. For example, we added Adidas. Their growth is going to be far beyond our CAGR, because it's a low base, right. And we might pull out a brand, so they might be zero. That's why I would speak to it more holistically, Prashant, and let you know that overall, the brand -- outside brands as a segment

of our business grows at about the same CAGR, but I can't speak to a specific brand in that space.

Prashant Kutty:

Sure. On the long term path, sir, I mean, you just highlight that they actually have a target about 860-odd stores. I believe the 260-odd stores to be added in the next four years. You said that the growth will be pretty much sacrosanct across the number of stores being added. If you look at it maybe from a Metro, Mochi, while you did highlight that you might see similar growth rate, if you could probably tell us what is the addressable market for a Mochi or a Metro and for a Croc, because all three are very different from their positioning perspective. So, if you could just probably help us understand what the addressable market over here is as far as these three brands are concerned specifically.

Nissan Joseph:

Sure. So just to make sure we are correct on the numbers, the -- what we had disclosed was we would -- what we had forecasted was we would open 260 stores in three years, Prashant, not four. So, that's number one, right. Number two, we have seen that Metro and Mochi has legs in all tiers of the country. So, even a Tier 3 store, the productivity on it is not vastly different than one in a Tier 1 store. Having said that, there's not as much competition in a Tier 3 store, that's what causes the evenness of revenue. So, when it comes to tiering, when it comes to cities, when it comes to the types of stores we want to operate, we tend to be pretty agnostic because we see the velocity and the potential for each of these brands.

Do I think that Metro and Mochi have a different runway than Crocs? While they all three have a very strong runway.

One could argue that since Metro is more Indian and more localized and caters to multiple price points, of course, it would have a much broader scope than a Crocs that caters to one segment and at a premium price point. So, it's really not fair to compare the two businesses, but safe to say that all of those three businesses have significantly long runways ahead of them that make us comfortable in letting you know that we feel good about hitting our growth target in three years.

Moderator:

Thank you. Mr. Kutty, may we request that you return to the question queue for follow-up questions. Thank you. The next question is from the line of Ashish Kanodia from Ambit Capital. Please go ahead.

Ashish Kanodia:

Yes. Thank you for the opportunity. So, sir, you talked about, how the revenue growth has been versus the pre-COVID periods. It was 38% for the quarter versus pre-COVID. Can you also give us a sense on what is the store growth versus 3Q '20? And secondly, when you look across various categories, again, comparing on a pre-COVID basis, which are some of the categories where either the growth has been lower or maybe they are still yet to come back to the pre-COVID levels in terms of, whether it's a formals, casuals, sports, if you can give some color on that.

Kaushal Parekh:

So, Ashish, let me take your first question where you said in terms of number of stores, you would find this in our presentation in FY19 we were at 504 stores on an overall basis, FY20 that increased to 551, FY21, 586 and for nine months December ended we are at 629. And we have also given individual format wise store numbers in Slide 10 of

our investor presentation. In terms of categories, as Nissan mentioned, we have seen strong comeback from all the categories. Obviously, during COVID say casual and sports was a hot segment but we've seen formal coming back very strongly and we've seen contribution from formal and in fact from all the category coming back to what we had earlier around pre-COVID level. So we are seeing strong demand in terms of casual, formal, occasion where sportswear, accessories all across. No single category is showing a de-growth or fall within our space.

Ashish Kanodia:

Sure. Just on the first question itself, what I wanted to also get a sense is, either if you can share what was the store count on 3Q '20 or maybe just to compare on a pre-COVID basis, if you can share that. And second, the question is in terms of as you see online growing at a much faster pace, is there any categories where you see that the online is doing much better? What is the typical average ASP you're seeing in the online space? And thirdly, how has been the discounting in the online revenue?

Nissan Joseph:

That's a lot of questions on the online business but let me try and tackle them a little bit at a time. So, when you talk about where we've seen the growth come in the online space, so one of the things we do is we want to really be a B2C business, especially in the fashion space on the online channel. So, on some of the portals we see that -- where the Metro and Mochi are the top three fashion brands that are sold on the portal, which is where we want to position it. We don't want to position it in the discount mass market side of the business. So that's number one. The second thing is, to add to your question on ASPs on e-comm, the online

ASP runs about 1,200, but I must keep in -- you must keep in mind that we sell all our different brands aggregated in that space. That's the next question. Did I miss a point on your e-com business?

Ashish Kanodia:

No, I think, the only last point was on in terms of discounting that you talked about 3Q having slower...

Nissan Joseph:

Yes, thank you. So, we are not a discount led e-com play, first and foremost. Secondly, one of the biggest avenues of growth that we've witnessed on E-commerce is our omnichannel business, which is now 25% of our E-commerce business. And it's fast growing business for us. That entire business, which is almost a third of our business, is 100% full price and that's what we've played to. And that's, as I mentioned earlier on in my comments, Ashish, that the exciting thing about E-commerce is that today it is an accretive business, it's a brand building business, as opposed to being a cannibalistic delusionary business as it was when it first started. So, we are playing to e-com strengths, we've distorted considerable investments to our e-com business. Our e-com business was around 2% pre-COVID, it's now almost double-digits at the end -- through the first nine months. And we plan on continuing to see that grow, especially since we see it as being accretive to our overall business.

Moderator:

Thank you. Mr. Kanodia, may we request that you return to the questions queue...

Kaushal Parekh:

Ashish, sorry, sorry just to answer his question on store count. Ashish, did you ask what were the store count at the end of December '20?

Ashish Kanodia:

Yes. December '20. Yes, that's right.

Kaushal Parekh:

Yes, December '20, it was 558 stores, September '21, it was 598 stores and now December '21, it is 629 stores. Obviously, this 31 stores that we opened during the quarter, only a portion of their revenue would have come in this quarter and we'll see full store months for these stores coming in in the fourth quarter.

Ashish Kanodia:

Sure, sure. Thank you.

Alisha Malik:

The last point I just want to add is just that we don't sell a very premium product online. Anything with an MRP above 7,000 is usually sold through the store and not sold online. So that business is excluded from the online business.

Ashish Kanodia:

Okay, got it. Thank you.

Moderator:

Thank you. The next question is from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.

Devanshu Bansal:

Hi, thanks for the opportunity and congratulations on strong numbers. Sir, if you can highlight revenue EBITDA salience across quarters under normalized conditions then it would be helpful.

Kaushal Parekh:

Devanshu, it would be extremely difficult for us because we are also searching for normal quarters to come by. It's - - we've seen first wave, second wave and now third wave, within less than two years. So, it would be difficult, but having said that, we have given numbers for what was our EBITDA and PAT in say FY20. We have shown numbers for FY -- for December '21, in spite of impact in first quarter you can see the difference. We expect some normalization to happen in terms of gross margins as we go forward from 58.1% to maybe somewhere close to 55%,

56-odd percent over next quarter, over next year. However, certain efficiencies that we built in during COVID time for various small steps that we took to make ourselves more leaner and fitter, I think those would continue and impact of those would be seen going forward as well.

Devanshu Bansal:

Sure. And I wanted to check on revenue per square feet was actually 17,000 in FY19-20 period. So how was it during Q3?

Kaushal Parekh:

So, again Q3, Devanshu, it would not be appropriate to sort of see it for a quarter and then annualize it for a period. But obviously since December was our best quarter ever, you can presume that our sales per square feet was also the highest. For nine months ended December, considering overall impact without annualizing our revenue per square feet was around Rs. 11,000. And this has first quarter, which was impacted due to COVID.

Devanshu Bansal:

Okay. I also wanted to check on in terms of selling own branch versus third-party brands, what would be the ballpark difference in the gross margins?

Nissan Joseph:

What we find is that, the net margin tends to be very close to each other, simply because while the incoming margin may be different and lower in an outside brand. There's a lot of cost that we don't have to incur when we take an outside brand, such as, they're all shipped directly to our stores, that's one. Second big one is that we don't have any discount impact, because we pass those -- at the end of season anything that's sold at a discount that discount is passed to the brand and not to us. So we could -- we are able to consistently recognize a percentage of revenue regardless of the sale price, number two. Number three, any

product that is unsold at the end of the season is shipped back to the manufacturer and we -- to replace with fresh product, enabling us to have a very current product in our stores. So when you look at the net margin difference, there seems to be very little flow through difference between an outside brand and an in-house brand. Obviously, our inbound margins on the in-house brands are considerably higher.

Devanshu Bansal:

Sure. So this 21% PAT margins, so while our gross margin can normalize going ahead, so this -- is this 20% - 21% PAT margin sustainable?

Kaushal Parekh:

So, Devanshu, as I said, with gross margins normalizing, it would also have trickling impact on EBITDA and PAT, right. And we've, as I said, we are also in a lookout of a normal year so that we can comment with command on overall cost structures that we are looking at. However, having said that, if you -- once you normalize that, gross margins to a certain extent, trickling effect will go into EBITDA and PAT.

Moderator:

Thank you, Mr. Bansal, may we request that you return to the question key for follow-up questions. Thank you. The next question is from the line of Vinayak Mohta from Stallion Asset. Please go ahead.

Vinayak Mohta:

Yes. Good evening, everyone. Congratulations on a good quarter. I wanted to understand the seasonality between the revenues, while what I could see is that last quarter you had more or less like equal revenue in Q3 and Q4. Can we expect the same trend to continue given that you mentioned that Q3 is your strongest quarter? The second question is around are you in talks with more foreign brands which can

scale up on a similar level like Crocs, while you have FitFlops on the board, but are you in talks with some other brands as well?

Kaushal Parekh:

So, Vinayak, let me take the first one and I'll request Nissan to take the second one. In terms of quarter-wise breakup, broadly, I'm just giving you broad numbers, Q3 is the biggest quarter and its contribution would be somewhere close to 27-odd percent to the total sales. Second biggest quarter is Q4, followed by Q1 and then Q2. Now, obviously, this year, this current quarter, Q3 FY22, I think after onset of COVID, as we said, post March '20, this was the first quarter that we saw where we were impacted by least restrictions on account of COVID. And we saw are the numbers in terms of sales coming through which was also helped by festival time and marriage season also sort of coming in. Q4, I won't advise you to extrapolate Q3 and Q4 based on last year, because last year we had started seeing recovery starting from October onwards. It was patchy and it moved and we saw recovery till March, and then, we were impacted by second wave. So it's -- I would not advise you to sort of extrapolate based on last year numbers and work out the total number for the year.

Nissan Joseph:

And to answer your question about other international brands, Vinayak, we are on the lookout for other brands. When you look at the penetration of Metro, the regional understanding of the consumer preferences that we have, given our store dispersion, the breadth of experience that we have in building brands, whether it's our own or external brands, we've become a favourite choice for any global brand that wants to enter India. And we are seeing that

brands across the world are now seeing India as the next frontier to become a part of to set the brand up. So we believe there will be continued opportunities in this space, and of course, we would be prudent about ensuring that we are having the right dialogues at the right time with the right people.

Vinayak Mohta:

Okay. Just a small follow-up on the question that you had mentioned about the extrapolation on the numbers, on the quarterly numbers, while you have had a very fantastic unit economics, is it fair enough to assume that on the 260 stores you could have somewhere around a 15% growth and we could expect more or less 10% SSG on the same stores going forward? Is that a broad estimate to have or will that number vary differently? Just to get an understanding on how the projections could go going forward?

Nissan Joseph:

Depends on your definition of broad, I guess, Vinayak. But having said that, Vinayak, listen, there -- when you look at the runway that we have for growth, when you look at our strengths as a brand, as a corporation, right, we have multiple store concepts triggering in multiple tiers of cities, triggering in multiple categories. We're able to adapt our ranges quite quickly because we are a direct-to-consumer brand. Whatever the case is, what you'll know is that we will be there ready to take advantage of any opportunity that comes by in those spaces. Vinayak, I hope you can respect I can't give any forward looking statements. But I think the vectors that you've mentioned are reasonable vectors.

Vinayak Mohta:

Okay, okay. Great. Thank you so much and all the best for the quarters going ahead.

Moderator: Thank you. The next question is from the line of Girish Pai from Nirmal Bang Equities. Please go ahead.

Girish Pai: Yes, thank you for the opportunity. I just had a few questions around medium-term growth and margin outlook beyond FY22. For growth you mentioned couple of numbers. You said 17% CAGR for the last 10 years pre-COVID and you mentioned something like 12% growth for three years pre-COVID. So, which one should we kind of work with? Or is it somewhere in between? And on the margin front, you said gross margins should normalize at 55% to 56%. So, should we look at EBITDA margins somewhere in that 27% territory or 26% - 27% territory that one saw in FY20?

Nissan Joseph: So, when you look at our CAGR growth, we've never opened up 260 stores in three years in our history, right. We're at 600-odd stores today. We're at 629 stores after being in the business for quite a few years. So, I think we can agree that at least from a CAGR growth standpoint that there's some relative comfort that would lean towards closer to the 10-year mark as we've done as opposed to the three-year mark. So that's my take on that. Kaushal, you want to comment on the rest of it?

Kaushal Parekh: Sure, sure. I'll not comment on the specific numbers here, but I just want to say that 29% EBITDA margin that we have recorded in current nine months this is in spite of first quarter being a wash out on account of COVID second wave. So, we did some good work during COVID time, which would reflect positively in our P&L. So we are working towards a strong lean structure. So, hopefully, we should be able to do better than what we did for say FY20.

Nissan Joseph:

Girish, you look at our history as well, right? So we've always been in the mid to mid-high upper-20s when it comes to our EBITDA margin. And we're confident that that's something after we open a considerable amount of stores that we can still continue to hit that range of pace.

Girish Pai:

Okay. My last question is regarding FitFlop. Would the store metrics be very similar to that of Crocs? Obviously, you mentioned that ASP is closer to like say 5,000, but revenue per square feet and size of the store, would that be very similar to Crocs?

Nissan Joseph:

Yes. I think if you use the word similar, I would say yes. But don't forget that it is a Rs. 5,000 sandal, which has a different consumer base than a Crocs customer. It -- so there will be some different metrics. But from a broad perspective, we think it's going to be definitely accretive to our bottom-line profit and our bottom-line EBITDA as we roll forward with FitFlop and we remain quite excited about growing the FitFlop chain of stores in our portfolio.

Girish Pai:

Okay. Thank you very much.

Moderator:

Thank you. The next question is from the line of Nishit Rathi from Chanakya Wealth Creation. Please go ahead.

Nishit Rathi:

Yes, thanks for the opportunity. Just a couple of clarification. I understand we are at the end of the hour. Just wanted to understand, did you say that you added Adidas to your store? And just wanted to know how a brand -- adding a brand like this, could it be a material impact for the store, given that the sports line, it could be a material thing for the sports business?

Nissan Joseph:

Yes. So, you did hear me right that we added Adidas to our brand mix. And the reason we do that is that we see

athleisure and we see the emphasis on sports and or casualization, come through, we also realize that there are some very strong players in that space that we can piggyback with them on. So, Skechers has been -- we've been partners with Skechers for many years now and now we've added Adidas to that mix. We should be -- we'll be expanding it to a vast majority of our stores. And yes it will have the effect, a positive effect against the sports category itself because we want to play more in sports. Obviously, there are other categories that also decline come and go that we are looking at offsetting. There'll be other brands that we rationalize and say that those brands no longer bring value to our consumer and hence they should not be in our stores. So, when you look at the brand mix, the brand mix is not going to change a whole lot. However, who we sell to and what we sell, we believe brands like Adidas play to the same consumer segment. We have almost 10 million customers in our database, right? And when you look at their buying habits and their buying patterns, we see we are able to quickly make cohort connections as to what other brands they would aspire to. And Adidas is one of those brands that we added to our stores for that.

Nishit Rathi:

So, this is very interesting, because logically if you replace a slightly weaker brand with an Adidas, logically your throughput for the stores should logically go through. And if the margins are kind of similar it should be a very accretive kind of a proposition. And logically should even add to the SSGs of your existing stores, right, is that assumption making sense?

Nissan Joseph:

Yes, I think these are the kind of things that a good reseller would do to drive SSGs. I think the logic is sound, I think the logic plays well and that's why we are playing in that space. So, without getting any future looking on that, there are steps -- there are a lot of these kind of steps that we're taking at Metro Brands to ensure that each of our concepts maintains its profitability. Listen, when you've got the EBITDA margins that we do and the PAT margins that we do, you've got to stay on top of your game, right, to keep that going. So it's not going to come because you don't capitalize on every lever of opportunity, of growth, of incremental business, of increasing profits, and creating a brand experience for a consumer in your store so they keep coming back.

Nishit Rathi:

Sir, just to close the loop on this, you will -- when you add Adidas, it will at the similar margin that the other third-party or is that fair to assume logically?

Nissan Joseph:

Yes, that's a fair assumption.

Nishit Rathi:

Okay, okay. And just one last question, your E-commerce this quarter did spectacularly well. You -- it's 9% of revenue. Just wanted to understand what percentage of that is D2C. Then what do I mean by D2C here is, where you control the entire experience even if you sell on a marketplace or if you're selling it on your own site what would be that versus you selling to the marketplaces where marketplace take inventory and then decide what your price and how you sell?

Nissan Joseph:

Yes. So, we do operate three of our own brand websites. We also sell in our Omni business. As I mentioned earlier on, our Omni business is 25% of our overall E-commerce

business. So, right there is a business that is not only ours but is also full price. That's number one. The vast majority of the other business is actually a marketplace business that we do through our dot com site. So, dot coms do it on the market face. There is a portion of the business where we curate ranges for the e-com players that we sell. And those ranges often end up making us the top three brands in fashion-oriented web portals, such as, Myntra. So, it's a play, not so much determined -- we don't play in the space to determine the channels and the channel splits. What we play in the space is to see two things. One is how can we enhance the consumer journey, at the same time enhance and be consistent with our brand voice and where we want to play as a brand.

Nishit Rathi:

Would you be controlling the pricing of everything or does Myntra decide pricing? That's the question, because if you decide the pricing and if you fulfill, then it's basically you are getting the entire queue, you are controlling the customer versus...

Alisha Malik:

We do [Technical Issues] prices across channels.

Nishit Rathi:

Sorry, I couldn't hear.

Alisha Malik:

It's something that we've been very clear about even when we started the business way back in 2014. We have always been in control of the prices.

Nishit Rathi:

Sure. Thank you.

Nissan Joseph:

What Alisha said was that we are always in control of the price.

Nishit Rathi:

Perfect, great.

Alisha Malik:

We would not want to lose the marketplace's control of the size, because we don't want any brand dilution.

- Nishit Rathi:** Perfect, great. This is helpful. Thank you, sir. Thank you so very much.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.
- Nissan Joseph:** Yes, and at this time I'd like to invite, Rafique and Farah to have a few closing words with all of you. Thank you all for being with us. Go ahead.
- Farah Malik Bhanji:** So, before I make some brief closing remarks, I want to convey my thanks for all of you who came on this call and have invested in us. To recap really quickly, this has been one of our best quarters which grew on the tailwinds of pent up demand, festive season and wedding season, all going strong. Quarter 3 for us was the first quarter post March '20 without any major COVID-related restrictions. So we saw robust recovery in customer sentiments and this was witnessed since August '21.
- Store expansion also gathered pace with 39 new stores opening in quarter 3, highest ever new stores opening per quarter till date. And all the store formats dealt well across all tiers. Our growth, momentum in e-commerce, including our omnichannel sales, continued with 69% growth on quarter-to-quarter basis, and 114% for the year ending nine months. We will continue to invest in this channel.
- Strong gross margins were achieved primarily due to the lower contribution of discounted sales and improvement in the overall sales mix. In the coming quarters, however, the overall gross margins should normalize back to around 55% to 56% levels. We started seeing the effect of COVID in the last week of December. While we are hopeful that

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we will jointly with our partners come out of this stronger, we believe it is a short disruption. Considering the current COVID wave, our sales and footfalls will be dependent on local regulations. And so we continue to take all precautions to ensure every shopper, employee and partner is operating in a safe environment.

Raw material and supply chain disruption did pose some challenges but with our long-term suppliers and shifting more of our domestically, we were well prepared for the growth in sales. More than 90% of our in-house brands are now made in India.

To conclude, Metro Brands aims to be a leader in the footwear space, through its aspirational and affordable brand by focusing on customer delight. What we will always value is operational excellence and financial discipline, which we hope will continue in the future. Thank you.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Axis Capital Limited that concludes this conference call. Thank you for joining us. And you may now disconnect your line.