

## "Metro Brands Limited

## Q3 FY '23 Earnings Conference Call"

January 18, 2023







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LIMITED

Ms. FARAH MALIK BHANJI - MANAGING DIRECTOR -

METRO BRANDS LIMITED

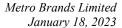
MR. NISSAN JOSEPH – CHIEF EXECUTIVE OFFICER –

METRO BRANDS LIMITED

MR. KAUSHAL PAREKH - CHIEF FINANCIAL OFFICER

- METRO BRANDS LIMITED

MODERATOR: MR. GAURAV JOGANI – AXIS CAPITAL LIMITED





**Moderator:** 

Ladies and gentlemen, good day, all welcome to the Q3 FY '23 Earnings Conference Call of Metro Brands Limited, 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 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. Gaurav Jogani from Axis Capital Limited. Thank you, and over to you, Mr. Jogani.

Gaurav Jogani:

Thank you, Michelle. Good afternoon, everyone. On behalf of Axis Capital, it's my utmost pleasure to welcome you all to Metro Brands Q3 FY '23 Earnings Conference Call. From the management today, we have with us; Mr. Rafique Malik, Chairman; Ms. Farah Malik Bhanji, Managing Director; Mr. Nissan Joseph, Chief Executive Officer; and Mr. Kaushal Parekh, Chief Financial Officer. I would now hand over the call to Mr. Nissan for his opening comments. Thank you and over to you Nissan.

Nissan Joseph:

Thanks Gaurav. And good afternoon everybody and thank you for joining our Q3 earnings call. We have closed another exciting quarter for Metro Brands and once again have attained an all-time high in our performance. Q3 has been the first quarter since the post-COVID era, where we were not up against any quarantines from the year before and the demand we have seen for premium products has been strong. These results have been fueled by the strong wedding season, the growth of the middle-class segment, the continued shift from unorganized to organized retail, the easing of inflationary pressures on raw materials and a stabilized supply chain.

This has also been our largest new store opening quarter, as we opened 54 new stores, closed six stores and relocated three stores, giving us 48 net new stores, bringing our total of stores to 720 stores, not including any of the Cravatex stores. These new additions of stores were across all our portfolio brands and we only grew our city count by six cities, indicating that these were mostly existing markets that we backfilled into.

In our ASPs, we saw the highest growth in our price points over INR 3,000, consistent with the other quarters. The Q3 numbers are very impressive, but more importantly, they reaffirm the comprehensiveness of our strategic initiatives, namely, premiumization is working, the efficacy of our new store opening processes, the ability to continue to grow without sacrificing gross margins, and deliver overall the numbers very much in line with our guidance for gross margin, EBITDA and PAT.

Before I turn it over to Kaushal to give more details of our numbers, I do want to confirm that we have closed on the Cravatex acquisition, which now gives us exclusive license and distribution rights for FILA and full ownership of the Proline brand. Our current focus is to rationalize the distribution points, clean up the inventory and reset the product to align with where we want to position the brand for the future. The team has been working on the integration of the company and is confident that we will be able to set the plans in motion to unlock the potential of FILA and Proline in India.

In closing, we are very excited by our performance in a normalized quarter, one that we have all waited for since the start of COVID. The strength of our operational rigor, the financial discipline, the success of our strategic initiatives and the continued tailwinds in the Indian economy for our sector keep us optimistic for the future.

With that, I will turn it over to Kaushal to give you more color on the quarter.

Kaushal Parekh:

Thank you, Nissan. Good afternoon everyone and welcome to Q3 earnings call of Metro Brands Limited. We entered the quarter on a very positive note, backed by a start of festive season in



the month of October. The positive trend continued throughout the quarter and we witnessed business growth across all our formats, across zones, tiers and all our product categories.

Before beginning with the financial highlight, I would like to mention that we successfully completed acquisition of Cravatex Brand Limited on 1st of December 2022. Accordingly, the consolidated results for Q3 FY '23 includes one month performance of Cravatex Brands Limited. Slide 13 of our investor presentation provides all the break-up which is considered for the consolidated numbers.

Let me now start with a quick snapshot of our financial performance of MBL, starting with revenues. On a year-on-year basis, Q3 FY '23 revenue was up by 24%. For nine months ended December, our revenue was up by 68% over last year. If we were to compare this with pre-COVID period, that is with nine months ended December '19, for FY '20 as a financial year, our revenue was up by 66% on a standalone basis. I would like to highlight again, strong growth momentum that we were witnessing in e-commerce sales is continuing. We achieved our highest quarterly e-commerce sales of INR 50 crores, which was up by 57% on a Y-on-Y basis.

Now moving on to gross margins. At a consolidated level for Q3, FY '23, we delivered strong gross margins of 59.2%, which is in line with the margin that we saw in Q3 of last year. For nine months ended December, our gross margin reading is at 58.8%. Lastly, moving on to EBITDA and PAT, in Q3 FY '23, we delivered EBITDA of 34.3% and PAT of 18.9%. Similarly, for nine months ended December '22, we delivered best ever EBITDA and PAT of 33.9% and 18.7% respectively.

I would like to clarify here that slight higher reading of depreciation and finance cost that is visible in Q3 and nine months ended December is primarily on account of lease accounting under Ind AS 116, which is primarily due to higher store openings that they have witnessed over the last nine months. As you all would be aware, under Ind AS 116, impact is slightly higher during the first half of the lease tenure and furthermore profound in the first year of the lease due to rent free period accounting. Otherwise, the numbers are in line and in track with the new store openings that we have seen during the period.

With this I'll close and hand it over back to Gaurav to commence our Q&A session.

Gaurav Jogani: Yes, I think Michelle, you can open up for the Q&A.

**Moderator:** We have the first question from the line of Tejas Shah from Spark Capital.

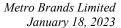
**Tejas Shah:**Congrats on good set of numbers. Just three questions from my side. First, can you share SSG number overall or perhaps if possible sub-format wise? And what would be the pricing growth Y-o-Y basis versus last year in terms of inflation that we were passed on in the quarter? So that's

the first question.

Kaushal Parekh:

Thank you Tejas for asking your question. Unfortunately, we are not disclosing SSG's so I will not be able to share these numbers. But let me share comparison with pre-COVID sales that we recorded. And as I said in my opening remarks, if we compare our sales for the current nine months with nine months ended December '19, we have seen growth of around 66%. If you see store growth between December '19 to December '22, the store growth percentage is around 34%, 35%. So broadly you can calculate 66% is the overall growth. Even if you consider complete store opening numbers, the store number growth is around 35%. So balance broadly is on account of the stores that were existing at that point in time.

As regards your second question on ASPs, if you see ASPs including accessories, we have seen growth of about 3% to 4% over last year. However, if you see ASP comparison for purely footwear, we have seen growth of around 6% to 7%.





Having said that, that is not always all inflation driven. Some of it is a mix of goods that we sell. So if you sell more premium products, you are going to rise up ASPs without that being a reflection on inflation.

Tejas Shah:

How should one read about the demand scenario? In this quarter also, would you like to share some trend as of December? Was there a considerable weakness? Because that's what we picked up in our interaction or engagement with other retailers. And that perhaps preponed end of season sales for a large part of the retail community. So just if you can give some even qualitative comment on how you saw the demand panning out during the quarter and how do you see coming quarters as well on the demand side?

Nissan Joseph:

We did not see any erosion of business in December. Tejas, I think if anything there was a little bit of an erosion of business specifically in some geographical areas in November. A large part of that was attributed to the wedding season shift, as opposed to anything of a macroeconomic condition. So that's number one.

As we look forward, what we base our strategy on is the fact that, there's a growth of middle class in India and that continues to happen. There is a much more disposable income in the group of that we cater to. We are strongly aware that, inflation is running at an all-time high globally. However, for India, that is not necessarily unusual for us. So we remain quite optimistic about the demand and the opportunities that we have to increase our efficiencies, our sales to square foot and taking care of more customers in our stores.

Kaushal Parekh:

Also, Tejas, I just want to add one point here. Although we saw few of the retailers starting their EOSS early, we didn't start our EOSS in the month of December, its core festive seasons. We started our EOSS in the second week of January. So, the sales that you see is without any EOSS push in Q3.

Tejas Shah:

And then last one on inventory. So based on our calculation, our inventory per store is somewhere around 8.5 million versus 6.3 million last year same time. So first of all, is that correct? And you also mentioned that some loading of inventories happened in anticipation of EOSS and perhaps aggressive opening. So, if you can elaborate, usually how much early we have to stock up for at least on the store opening side?

Kaushal Parekh:

Tejas I don't have ready numbers, the numbers that you mentioned of 63 versus 85, but as you rightly said you know when we start a store we have to obviously start with complete inventory and sales would start coming once the store sort of comes up. We also need to make sure that we have complete set of whatever we want to send to our stores to be present in our warehouse. So, we start the store on a right note, with perfect inventory that we would want to represent to our customers.

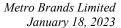
So last quarter we opened about 54 new stores, 48 net stores on a net basis. And hence, we even guided this in our last quarter because of this and the upcoming festive season and then now the EOSS sales, inventory would be slightly higher. But we see this all normalizing. These are normal trends that we see every year and we see our inventory normalizing around March. We are not sitting on a heavy base. It is aligned with the reduction in inventory that we will see post EOSS. and also aligned with the new store opening targets that we are working with.

**Moderator:** 

We have the next question from the line of Vicky Punjabi from UTI Mutual Fund.

Vicky Punjabi:

So just one thing on this unisex, which I believe is more of a representative of Crocs. We saw a dip in the contribution, right? For the first half, it was at 13%. For nine months, it's at 11%. Can you help me understand, is this because of seasonality? And if that is the case, on a Y-o-Y growth basis, does it continue to perform as per expectations?





Right, so first of all, when you have overall growth, somebody has to get muted at some point, doesn't mean those category did poorly, just didn't keep pace with the rest of it. That's number one. Number two, last year, we were still coming out of the lockdown, as I mentioned. But the demand for casualized product was very high. We've seen that taper-up just a tad, not to the extent where we have any concerns about it. But we have seen that other categories have started coming to life, thanks to no restrictions and quarantines and travel increasing. So I think that answers your question as to why you may have seen a little bit of a dip in our unisex.

Vicky Punjabi:

Sure. And just on the previous question, when we talked about the growth in revenues versus pre covid over being 66%, 34% coming 35% approximately coming from store growth? I believe 8% to 9% must have come from the online channel and then there is 7%, 8% price mix, but there's still 10%, 12% growth, which seems to be footfall-driven. What's helping the company attract more footfall,--is it that competition has gone weaker? Or I mean, or category changes, what's led to this kind of growth, if I am actually at the right-- I mean, if I'm pointing in the right direction?

Nissan Joseph:

So, I think there's two drivers to it. The first driver being, Vicki, that the overall market continues to grow at a good pace, right, both in terms of the existing markets consuming more and more people moving from unorganized retail to organized retail. So that's number one.

So the second thing is, we do feel that there's plenty of competition out there, but we are very rigorous on how we analyze and allocate space, to our categories and watch that very closely. I mentioned a lot about operational rigor. If we see categories underperforming, we're quick to act, to change it. If we see something doing well, we're quick to double down on it and go after it. So it's really driven by two things.

One is the market being very strong, which makes us very optimistic about the future of the Indian footwear space but secondly, also the operational rigor that we have to ensure that we are missing opportunities because we don't have enough of the right product and we have some wrong product that's not doing well that we need to minimize quickly.

Vicky Punjabi:

Just lastly, I mean, the store opening growth seems to be quite strong this quarter. Is this kind of indicator of the pace that we're from grow at going forward? Or there was some phasing effect out here?

Nissan Joseph:

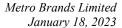
So I think there's two vectors that we use on our new store growth. One is we guided to 260 stores in our RHP. So we want to ensure that we meet that target without any question. So that guides us but the second guide is really finding the right real estate opportunities, and that's what, truly is our guide.

We believe that if we make sure that we get the right locations, both in terms of traffic, location and also rentals, that's the right strategy to grow the business as opposed to be fixated on a particular number. And as you know, the inventory of real estate ebbs and flows. So while we can't always predict the availability of real estate in a given quarter, we're pretty confident that, as I mentioned, we've only grown by six cities, taking us about 160 cities in India.

There are well over 300 cities that, Metro brands has identified that we could be in. So the opportunity exists, we will continue to be very very disciplined in how we choose locations. And if the locations are right for us, we will be, we have no issue with capital allocation for it. We have no issue with operational expertise to do it, there's no area geographically where we're challenged to do it. So we're ready to do it, but we'd rather go because we have the right opportunity as opposed to go after a certain number. But we will ensure that we absolutely meet our commitment on the RHP.

**Moderator:** 

We have the next question from the line of Bhargav Buddhadev from Kotak Mutual Fund.





**Bhargav Buddhadev:** 

Sir, my first question is on store openings. So we mentioned that we've increased our city presence by 6 cities and the potential is 300, but presence is in 160 cities. So why would we still continue to add stores in our existing cities, where we are present and not expand the breadth, what is the rationale?

Nissan Joseph:

Again, I go back, the first filter we use is making sure that we have the right real estate. And is that right real estate appears sooner in the existing city then we'd rather do that. So that's first and foremost. The second one is when you expand there are two strategies you use. One is the cluster strategy, where you're able to leverage your marketing, your brand knowledge, your brand penetration in the town. So that's the cluster strategy.

Operationally, also, it makes for a very efficient way to grow. And the second thing is second way you expand is to go into new geographies, right? So there's not many new geographies that we think are out there that, we're not aware of. But this is the advantage also of having five concept and now seven, with we count FILA and Proline in our armour, that we can grow into cities. So I think where most companies would struggle to do what we have done because they only have one or two concepts under the umbrella.

The fact that we have multiple umbrellas and consequently when we open a store and, we get a read on how well that store is performing and in what categories, we also know one of our other concepts would do well. So that's why you see us growing as always, with a lot of discipline and rigor to it. And it's just what you're seeing is a reflection of how we go and grow stores. We opened 48 stores, net stores, We're very pleased with how they're performing. And I think the fact that we're able to leverage off our knowledge of these cities from some of our other content is what drives us part of our success strategy.

Kaushal Parekh:

Bhargav, I just wanted to add one more point to what Nissan said, if you see our biggest plan is metro, we are at about 269-odd stores and we are present in 144 cities. And if you take out top 8 metro cities effectively, our average store per city would be like 1 and 1.5 or maybe max 2. What this shows is, this huge opportunity in terms of penetration, penetrating the existing cities. And obviously, as we get more knowledge based on our existing store locations, which are doing well, it gives us more comfort and confidence to obviously grow there, along with the new cities that obviously is happening parallelly.

**Bhargav Buddhadev:** 

And in terms of mix, how comfortable are we in terms of more than 3,000 MRP rising in terms of our overall portfolio mix? What number, how will be comfortable at the higher side?

Nissan Joseph:

You're talking of what the ceiling for it?

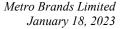
Bhargav Buddhadev:

Yes, yes. Because, obviously, India is -- the customer segment at that price point will be a finite number, right? It won't be an exponentially higher number?

Nissan Joseph:

Well, I think there are two different statements, finite and a large number, right? I think it is finite, I agree with you. I think it's still a large untapped market. So that's number one. Number two, I think there's new entrants coming into that market, that aren't existing in today, there will be more new entrants coming into that space in the next five years, Bhargav, which is where we see the upside to it.

And we are not here to say we're going to target a certain number about 3,000. Everything we do is customer backwards. We want to ensure that we're there to take care of what the consumer is looking for, right? Today, our consumer happens to be looking for a significantly large number of over 3,000 premium products, and we're catering to that. But I don't think there's a, I don't think there's a ceiling number we're looking for. I don't think there's a ceiling number we are going to set. And by the time we get that, don't forget inflation is going to take us and 3,000 should not be that significant a number to go beyond.





**Bhargav Buddhadev:** 

Sure. And my last question is on the consumer loyalty program. Very few footwear companies have actually worked on this, so is Metro leading the way in terms of setting a benchmark over year?

Nissan Joseph:

Yes. So I'm happy to let you know that over the last two years from pre-COVID to now, we have grown our membership by about 50%. That's a significant growth in numbers, especially given the fact that we were closed for a period of time, without able to draw a new customers in. It is part of our strategy. It is a very key part of our strategy and to say we are leading in it, I would love to think we are leading in it.

Having said that, though, I also think there's so much technology and innovation coming into mining of data and big data and artificial intelligence that, plays a role in combining a data that is in an evolving field. And we are investing to it. We are aware of the potential of it. We're utilizing it very well currently, but I also am excited that as time moves, technology is giving us better ways to utilize those findings through artificial intelligence, machine learning, all of those things that you've seen.

**Moderator:** 

We have the next question from the line of Nikunj Gala from Sundaram AMC.

Nikunj Gala:

I just want to understand what would be the impact on your gross profit margin broadly on account of the higher raw material on a Y-o-Y basis, I just want to understand that negative?

Kaushal Parekh:

Nikunj, generally what we have been able to do over so many years is pass on the increased raw material impact in our MRP's and even if you see last year, our gross margins were rock solid. In fact, we saw a slight improvement in margins, gross margins as compared to, say, earlier period, so that has been the case. In last year when we saw a significant push on account of inflation, we price our products appropriately, just to make sure that we price our product properly and at the same time, ensure we hit our gross margin target.

Nikunj Gala:

Like if I just want to break it down our gross margin, understanding into variables. I think in the first comment, you mentioned you have taken 6% to 7% price increase in the footwear and 3%-4% overall level. So price increase was higher. Even I think on a mix upwards of 3,000 is higher, which is positively impacting gross margin. Third, I think you mentioned EOSS. was lower in this quarter. Hence, your discounting was lower, which is again positively impacting your gross margin. So the only negative factor was the RM. So all the 3 positive factors, which ideally should have taken gross margins slightly on a higher side was got impacted on the account of RM. So hence, our gross margin was flattish, right? So just wanted to understand how much that positive delta was negated by the RM?

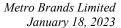
Nissan Joseph:

So first of all, not every price increase is an RM increase. Sometimes it's just a matter of mix of goods, so you're selling better priced products than you are before. So it's a mix of prices. Secondly, Kaushal just said, discounted sales was not a factor, but also it was not a factor last year. So it's not a comparative number, right? So I don't think we work in an FMCG business where the products are consistent, in the composition year-on-year, that one could take numbers distinctly to one single raw material.

And even if you could, because we do have core products that we sell year-on-year, that's not necessarily going to move the needle. I think what you've got to look at is say, we've had an inflation, a normal inflation for our input cost and all our costs were somewhere between four percent and six percent. We've also had our ASPs go up because of mix of goods. We also, we also priced our products to where there is demand that we can sell through the product correctly.

Nikunj Gala:

So just on the gross profit margin front, in last quarter, we used to make a comment on the gross profit margin that we are always looking at in the range of 55% to 57%. I think that comment was missing in this presentation. So is there anything to read on that? Or-I just want to understand your thought process on the gross profit margin going forward?





I did touch on it, all bit, a little bit broader than that. I think what I said was that we feel, we were excited that it delivers to our guidance in gross margin, EBITDA and PAT and our guidance on gross margins has always been 55% to 57%. And I say that because we know that, when you chase the gross margin number, that's not always the best thing you can do for business. What we chase is what we believe the customer sees value. And we believe that 55% to 57% is a very good sweet spot for Metro brands, to target and hit it very consistently as we have for many multiple years. And every now and then you're going to see the blip up that you've done as seen in the last few quarters. Every now and then you're going to see the blipped-up. But equally, I'm saying it as we blip up that we maintain that 55% to 57% gross margin is the range that we model our business on

Nikunj Gala:

I understand, sir. But where I'm coming from in the last 6 quarters, it has been always upwards of 57% and it becomes whether that range still holds to internally, you might have just updated in that range. Just wanted to understand. Okay. Thanks for your comment, sir.

**Moderator:** 

We have the next question from the line of Madhu from Canara HSBC.

Madhu:

Congrats on a good quarter. So just on the FILA and the Proline, could you give the roadmap and how that traction and what are the initiatives being taken there, in more detail?

Nissan Joseph:

Yes, I think from a long-term perspective, we're extremely optimistic about both those brands for a couple of reasons. One, that it was a white space in our portfolio. As you know, we do not have anything in the athletic space. This acquisition gives us two significant brands in the athletic, athleisure space. That's number one.

Number two, when you look at the market size today, it is considerable already today and when you look at the potential for growth in sports and athleisure in the country, that is predicted to grow the fastest in the footwear segment- is the sports and athleisure segment. So when you look at the forces out externally that drive it, and internally that with a white space for us, it's extremely positive. What I think is also exciting is that our operational capabilities across the country geographically, our operational capabilities in terms of managing multi-branded stores and mono-branded stores make us even a better candidate to unlock the potential of both these brands in India.

The good news is the market size is so big in India for both these brands, for this category, that it has room for multiple players to do well. And we believe we will position the brand to make sure that we are leveraging its full potential.

Madhu:

So initially you'll go through the e-commerce growth more or even general trade is an option that you'll be using?

Nissan Joseph:

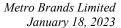
Initially, as I mentioned, our first focus, our three focuses right now is to rationalize the distribution. E-commerce is always going to be a key channel, but I don't know if it's an e-commerce first strategy at all. We have mono-brand stores for FILA. We have LFS distribution for both FILA and Proline that we value, that we will continue to operate. So first is rationalize the distribution. Second is clean up the inventory because we would like to position the brand for where we believe the market's going to be in a few years and that's what we would want to spend our time on.

Madhu:

And lastly on the accessories side, I mean, any initiatives there in terms of, and what is the ASP for the accessories? Thanks.

Nissan Joseph:

I'll pull up the accessory ASPs in a second, but you know, we're very excited about our accessory programs in our Metro and Mochi stores. We sell about 10% of our sales in accessories. And we see that as an opportunity for us because the consumer relates our accessories to a shoe purchase, whether it be socks with a shoe or whether it be a handbag with a shoe. So we see potential in





that space. And India is a transient nation, a pedestrian nation, so they do need bags of all nature, of all kinds and sizes and we have invested in getting a team together to unlock the opportunities that we believe exist. And the exciting part is we can improve our accessory sales. It has kept up with our growth. That's the good news.

The first good news is that it didn't lag behind in our growth. It was part of our growth story the last quarter. And we also believe we can accelerate it and improve our sales productivity per square foot in it. The accessories is a wide range of products. We have products that start at INR 299 and we have products that go up to INR 499. So, it's not, giving an average number would not be as significantly meaningful. But Kaushal, if you have a number you want to share.

Kaushal Parekh: Madhu, if you see our average relation including accessories, it is around INR 1,450. If we see

purely footwear, that ASP number would be somewhere close to INR 2,100. So, obviously, average ASP of -- If you are seeing ASPs for accessories, it would certainly be lower than INR 1,450 that is an overall number. However, even within accessories we have bags where the ASPs would be higher and we also have shoe polishes and shoe creams and few other products where, as Nissan mentioned, our average ASPs could start from as low as INR 299 and things like that. So that is what I would say for accessories. It should be in the range of around INR 500 if you

were to take for overall accessories as such.

**Moderator:** We have the next question from the line of Manish Poddar from Motilal Oswal AMC.

Manish Poddar: So, primarily two questions. One is just a continuation on the FILA part. So, Nissan, can you

allude, how much of this inventory which you intend to clean up, just a rough ballpark number, and in terms of stores, you're saying that you're going to rationalize distribution, you already have 25 stores as per the disclosure. So just can you highlight what do you intend by this two-

sequence system?

Nissan Joseph: So, you know that business is a little bit different than a black and brown business. It tends to be

very seasonal. It tends to need a lot of refreshes. So technically, it would be anything that came in this season and also potentially that comes in into spring/summer because it may not align with where we want to take the brand. I don't want to, at this point, disclose where we may or may not want to take the brand for a lot of reasons, not the least of which is competitive. But fundamentally, Manish, we believe we will spend the next six to seven months ensuring that we

clean up both distribution and inventory.

Manish Poddar: Would you call out the absolute inventory – how much -- did you take over when you took over

the asset?

Kaushal Parekh: So Manish, if you see their closing inventory as of December, it's about INR 49 crores to INR

50 crores at cost.

Manish Poddar: At cost?

Kaushal Parekh: Yes.

Manish Poddar: And just one more clarity on the FILA part. So did we not take the other parts? Did we take only

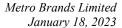
FILA and Proline or did we take the Vans and the other parts in the business?

**Nissan Joseph:** The only other part in the business is Vans and we are distributing that...

Manish Poddar: Do they have any other rights, I am not sure

Nissan Joseph: It's all part of FILA or Proline, towards the brands. We've taken over the entire brand. So the

brand -- okay, so the brands have three components to them. They have, obviously, they both have a mono-branded play, FILA bigger than that of Proline. They have a multi-brand play,





which is large format stores, and they have an e-comm play. Both brands have all three channels present today in distribution, and yes, we have taken over all of those channels. And then as far as the other question was?

Kaushal Parekh:

Manish, as Nisan mentioned, it is FILA, Proline and Vans is what is continuing. CBL also had some sort of health equipment business that was liquidated prior to us taking over. So that portion is not taken up. But everything else, because we have bought 100% shareholding of the company, so everything else that was in the company has come on to us.

**Moderator:** 

We have the next question from the line of Ankit Kedia from Phillip Capital.

Ankit Kedia:

So my question was on price increase. Given that RM inflation is behind us and it's stabilized, do you think next year the company is expected to take price increases if the RM stays at the current rate?

Nissan Joseph:

So price increases don't happen only because of RM, Ankit. They happen for a number of reasons. Rentals go up every single year for almost every retailer, number one. We all know that cost of living goes up every single year. So raw materials aren't always the driving force, they are one of the driving forces.

So given that, we're constantly evaluating our prices and we always have a cadence of increasing our pricing quite consistently to ensure that we never get behind the curve because the reality is if you don't increase your prices, you're not going to be able to sustain, and then if you're in any business that imports any product, there's always an exchange rate factor, there's inflation, there's rentals, there's employee wages, there's minimum wages. All these things add to price increases. It's almost inevitable that every year you have to have price increases.

Ankit Kedia:

My second question is regarding FitFlop. It's been more than one year we have taken the brand. We have opened only two EBOs of FitFlop. Are we doing justice with the brand or do we have some agreements with them that we need to open x number of stores in particular number of years? And over next two years what is the guidance on FitFlop stores opening?

Nissan Joseph:

So I think we are very comfortable with the way we have done with the brand. The first thing we had to do by the way was, as we found out with FILA, there was an incumbent here. The difference between FILA is we were aware of it going into it. The difference with FitFlop is we were not aware of what the incumbent did or didn't have. So we had to clean up inventory in the marketplace first and foremost.

The second thing is we believe it's a premium brand that needs to have controlled distribution. The third thing is we're not going to open stores because there's a number to hit. We're going to open stores only because it makes financial and brand sense to open it. We are fully aligned with FitFlop on our opening strategy. They're extremely pleased with our performance in India, and so as are we.

Kaushal Parekh:

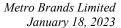
Also, Ankit, just to add, at the start of the year, when we signed the agreement, we had guided that we would be opening total four to five stores in current financial year. We are on track for that.

Ankit Kedia:

And my last question is on Ind AS, Kaushal, You highlighted the depreciation was higher due to Ind AS Accounting. What was the PBT impact for nine months, if not quarter, due to Ind AS accounting in our standalone financials, if you can just?

Kaushal Parekh:

It was, this number was around INR 20 crores for nine months ended December. This is a noncash expenditure and as you would know Ind AS, a typical accounting in the first half of the lease, first half tenure of the lease you have negative impact. The expense that you book in





financial is more than the rentals that you pay, and in the second half it starts unwinding. So that's how it sort of works.

Ankit Kedia: So the nine months impact due to Ind AS Accounting is around INR 20 crores?

Kaushal Parekh: Yes.

**Moderator:** We have the next question from the line of Jignesh Kamani from GMO.

**Jignesh Kamani:** Just want to understand more on the FitFlop. Can you sort of outline how is the revenue?, profitability?, is in line with the growth for the one store which is close to one year old? And in

terms of opportunity size, how many store FitFlop can have in four or five years down the line?

Nissan Joseph: So from a revenue standpoint, profitability standpoint, one thing we always make sure we do is

that any new acquisition we do meets our expectations. And our expectations, as you heard on this call, is it produces a realized gross margin of 55% to 57% and FitFlop is very much achieving that for us. The only difference is FitFlop does have a wholesale business that has a different margin metric, but yet very profitable. So we're very pleased with the FitFlop, numeric that come

through. It's very comparable, very competitive, very compelling for us. So that's number one.

When we look at the FitFlop opportunity, don't forget it's a very-very premium product. The average price point is somewhere between INR 7,000 and INR 8,000, for a sandal, and the consumer loves it, they appreciate it, they see value in it. Having said that, as one of our previous analysts asked on the account, there is a limited amount of people around the country that can go that high. We think INR 3,000 is a lot more, but at INR 7,000 to INR 8,000, it's much more limited. So, it's not as wide as a Crocs distribution that averages INR 3,500 for an average shoe.

It's definitely more selective than that.

But we also have the opportunity to sell a lot more wholesale accounts with FitFlop than we do

on our own business. Because we do not sell anything wholesale in our own business.

**Jignesh Kamani:** Second thing on the price, have you taken any price hike in the third quarter?

Nissan Joseph: We're always taking price hikes. The only question is, what is the driver to the price hikes? And

because this is a business where, we do have new products coming in all the time, and you cannot really compare two products, we look and see if that product can, what price that product will command. So have we taken any price hikes on existing products? We did hedge our inventories as we mentioned in the previous calls, so we didn't need to. But does that, our ASPs went up

because we are bringing in products that have value to the consumer at a higher price point.

**Moderator:** We have the next question from the line of Vivek Joshi from Freeturns Research.

Vivek Joshi: I'm trying to understand the business of Metro and I have two queries. The first query is, are all

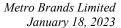
the 700-plus stores owned by the company or are they leased like kind of franchise model? And second is, what is the approximate market value? Hypothetically if we could sell all the stores

right now, if you could give some number?

Nissan Joseph: Okay, so to answer your first question, out of the 720 stores in our chain, only nine are

franchisees, and all of those exclusively in our walkway division. That's the only division that has any franchisees in it. The rest of the 720 stores are all company-owned, company-operated stores. We believe that that is the strongest way to run our business. We're well capitalized as a company. As you can see from our financials, we're not in any way handicapped by owning and operating our own stores. It also gives us operational excellence in all geographies in the country.

So that's number one.





Secondly, your second question is really something that we don't even consider. We've never ever tried to put a valuation on it. Because we just aren't in that business. But I want to make sure you're not asking if we own the real estate in those stores. And the answer is we don't own the real estate. We own the lease. So, if you're asking me what's the real estate value of those stores, I wouldn't know because we don't own it. But if you're asking me what it is up for sale for, it's not up for sale. So I wouldn't know either. Vivek?

**Moderator:** 

We have the next question from the line of Aliasgar Shakir from Motilal Oswal Financial Services.

Aliasgar Shakir:

So just on your store additions, last nine months we have done about nearly 95-odd stores, against our average annual guidance of about 80-odd stores. In fact, now we have also FitFlop and FILA. So, I mean, could you share what should be our annual store addition going forward annually? And related question is, how do you think FILA should grow over the next three years, both from, new store addition as well as, other channels of growth?

Nissan Joseph:

So, as I mentioned, what we're focused on, two things, Aliasgar, one of them is in ensuring that we meet or exceed the 260 stores that we submitted in our RHP and we're confident that we will achieve that. That's our one vector of focus.

The second vector of focus is opening the right real estate. So we don't want to come up with a number that we get fixated to opening, that in any way decreases our financial discipline or in any way, threatens our operational rigor. So we want to stay very focused and say, we want to open the right stores, at the right location, at the right time, as opposed to trying to hit a number. But we will hit the 260 number that we promised to and that 260 number does not include FitFlop stores, when we went public. So that's number one.

Number two, when we look at the runway of growth for any brand such as FILA in the market, I think what one must do is look at what is the stores and the distribution and the sales of other brands in the same space and I think most of the other brands in the 300-plus stores range, they have distribution points that run in a couple of 100 distribution—over quite a few 100 distribution points. And those are all vectors that I think you can use to say that makes meaningful sense.

Aliasgar Shakir:

Just on the follow-up on the store addition, you mentioned 260 stores. That was over a three-year period, which implied about 85 stores. So does that number now go up significantly on an annual basis?

Nissan Joseph:

We're going to open every store that we can that we believe is the right opportunity for one of our concepts to open in, Ali.

**Moderator:** 

We have the next question from the line of Akhil Parekh from Centrum Broking.

Akhil Parekh:

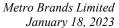
My first question is on the journey of a new store. Like, how long it takes for the new store to ramp-up? And how many years it takes to reach the sales throughput which is similar to a mature store?

Kaushal Parekh:

So Akhil, it depends store-by-store, but generally if I just have to give an overall average number, we see significantly higher sales growth in first three to four years, because that's the time when store reaches to the maximum audience in the vicinity where the store is located. And over a period of ,maybe, seven to eight years is when the store matures. Having said that, even for our Colaba store which is more than 70 years old, we have SSG targets which exceed the inflation numbers that you see in India. So that's how we see metrics for all the stores.

Nissan Joseph:

On the other hand, just the other dimension of new stores is we want to make sure that every store is profitable from day one. Rafique, our Chairman will tell you that there is no gestation period in retail. If you don't make money on the first day, you're going to have an uphill battle





the rest of your lease. So we expect all our stores to be profitable and most of them are in their first few years. And as a rule of thumb, we get our cash back from the store within two years of opening it.

Akhil Parikh:

Just clarity on it, like, I just wanted to know like, for example, if the matured store is making INR 100 of sales per month. And if I open to 15 new stores in a given fiscal year or financial year, during the year 1, would it be fair to assume it will clock at least INR 50 to INR 60 of sales?

Nissan Joseph:

Well, it would be more than fair. In fact, it's probably much higher than that. But don't forget, store sales are determined by where you open, how big the store is, what your competition is. So we've had stores that we've opened that exceed of some of our average store performance across the chain, and we've had stores that don't. But as a rule of thumb, you would say that if it's 100, the new store number would be less than 100, which is why you see in the first few years, we expect them to have considerable like-to-like growth and start catching up to that number.

And we have a wide array of stores, right? So we have stores using 100 number, if 100 was the average number, like any good maths dispersion would have for a chain of 720 stores, we're going to have stores that go from 60 to 140. That's a significant swing. So it just because the new store comes in at 60, it doesn't mean it's a bad store.

Akhil Parikh:

And second and last question is on the, if I look at products, which are priced above 3,000, the contribution has been understandably going up over the last 4 years, some 34% to almost 44% over the last four years. But average selling price per unit is broadly similar at porting INR 1,450 to INR 1,500 odd. So wouldn't be fair to assume that extremely higher end of products are getting sold, more and more and slightly less premium are getting less sold?

Nissan Joseph:

I think it's a combination, right? So yes, we are seeing some decline of sales in the lower price point, obviously, the way it has to come from somewhere when the contribution of one category grows, the contribution of the other category goes down. But also, we put a lot of emphasis into our accessory sales, which is at a much lower price point.

As Kaushal pointed out, if you look at our average today, it's INR 1,450. But if you take out accessories, it jumps up to north of INR 2,000. So that's a significant delta. And the accessories is a place that we want to focus in on because we believe it's a low-cost incremental sale that we can add to our bill value.

Akhil Parikh:

So is it fair to assume, that the accessories was in a lower single digits as a percentage of total sales, four years back and it's 10% right now?

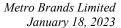
Nissan Joseph:

I would have to check on that. But while taking on that, we also see, to give you an example of accessories, one of our best-selling accessories is actually the Jibbitz line, which is a charm that goes inside the Crocs shoes, right? And that's the new line in. So we could have incredible growth in Crocs but the average is going to go down. It's going to diminish the average sale, if you look at it just from a total sales standpoint. So there's a lot of factors that go in here.

But fundamentally, it's not because we're selling fewer products in general. We are seeing some, we've exceeded some price points in our Walkway business below 500 and below 1,000 with the GST increase that we had at the turn of last year, right? So that has happened. But also there's a whole mix of goods. It's very hard to read that is coming solely at the cost of one category to another.

**Moderator:** 

We have the next question from the line of Umang Mehta from Kotak Securities.





**Umang Mehta:** 

I just had two questions. One was, can you share what is the difference between your pre-Ind AS and post-Ind AS EBITDA margin? Typically. And the second one was on your basically revenue per square feet, how do you basically account for the new stores? Is there added mid-quarter? Do you consider only the period for which they were operational?

Kaushal Parekh:

Umang, on your first question on Ind AS difference between pre and post 116, the delta is somewhere around 8% to 9%. So if we were to see pre-Ind AS margin, it would be close to around 25%, 26%, 34% minus 8% to 9% would take you to that number.

Earning per square feet, thanks for asking that question, if you see what we do just to keep it simple, we take total sales delivered by all our stores divided by the total area that, has been added. So especially in the period where you add more stores, for a temporary period. Obviously, numerator has only sales for one, two, three months maybe. However, denominator would have the complete per square feet area

**Umang Mehta:** 

Makes sense. That's why maybe perhaps we are seeing some decline year-on-year, but because of the aggressive store additions.

Kaushal Parekh:

Right.

**Moderator:** 

We have the next question from the line of Sabyasachi Mukerji from Centrum PMS.

Sabyasachi Mukerji:

So two questions from my side. Firstly, if I hear all the retailers and brands that are coming out with in interviews and some quarterly updates, of the last quarter Q3. Most of them are saying that there has been some slowness post the festive season, in the demand environment. So I wanted to have some sense if you can give for your case, probably in a monthly basis, I mean, how was October? How was November? Have you seen some slowdown in December?

Nissan Joseph:

As I mentioned before, we did see a little bit of slowdown in November but October and December were very strong months for us. And when you have a pan-India operation and you cater for footwear for multiple occasions, its festival season year-round for us, right? We would go from Durga Pooja to Onam to Janmashtami to Lohri to wedding season. So I can't speak for other retailers, but we've definitely not seen that.

Of course, nobody is posting 60% gains over last year like we used to, simply because we now have true numbers to go against. So we are seeing some realistic numbers finally after manymany years of waiting, but we see a lot of strength. It also goes to show you the diversity of consumers that we cater to, it's not only the festive that people come to us for, there's a multitude of reasons that they come to us to take care of their foot -- footwear in the wardrobe.

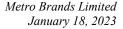
Sabyasachi Mukerji:

My second question is a bit of a fundamental one. So if I look at your product mix, the pricing mix, the bucket of more than INR 3,000, that bucket in our sales contribution has moved from 34% to 44% in the last, let's say, three, four years, whereas the sales from Tier 2 and Tier 3 cities, have increased from, I believe, somewhere around 28%, 29% to currently around 32%, 33%.

So this is in generally a contrary to the belief that the Tier 2 and 3 cities would be having lower affordability compared to vis-a-vis Metro and Tier 1. But this theory actually falls flatif I look at in the premium product mix for your case. Can you throw some light on this thing?

Nissan Joseph:

It's hard for me to throw some light on your theory. But I can definitely tell you from our end, we believe that Tier 2 and Tier 3 cities are a significant opportunity for all our, most of our concept stores, not all of our concepts but most of our concept stores. The consumer in these cities is very eager to buy, get value for their money. And metro through its premium, is still value for the money. And then we want to make sure that everyone understands that.





We're not just about a premium for the sake of premium, which is when you might see an erosion of customers as you go down in the tier of cities. We're about value. And there are consumers in every tier cities that sees value. So that's distinctly, our point of difference. People have been coming driving into Tier 1 and metro cities to shop at. Now they can do it from the convenience of the local shopping area. So I can't speak to your theories about the people, but what you're commenting on our performance, Sabyasachi is very true. We see that number consistently holding up as we go into other tier towns, too.

Sabyasachi Mukerji:

And related to that, your own brand sales has also gone up from 69% to 74%. That has, I believe has helped in the margins as well. Going ahead for the next three, five years, do you have any target of moving it to 80%, 85%? Do you have a ceiling for that?

Nissan Joseph:

Yes, so our target there is very simple. We work customer backwards. If we're not taking care of a customer with some of the brands we own, we're going to go find that brand because we wanted to keep that customer happy, satisfied, and have a complete customer journey in our stores. So that's the first filter we go through. You look at the brands that we typically take from the outside, Crocs, FitFlop, very unique propositions that we don't believe we can cater to that consumer ourselves. So we have to go get those brands for our consumers.

Would I like for 100% of it to be my brand? Of course I would. But the reality is we would always have a mix. And that mix is going to depend on the season. And it's going to depend on the season. Because we are going to be very agile as retailers, very in tune with our consumers, so we can always react to where the consumer is going, instead of trying to force them to come a certain way.

**Moderator:** 

We have the next question from the line of Mansi Desai from Dalal & Broacha Portfolio Managers.

Mansi Desai:

Sir, I wanted to understand what has been the demand scenario on the lower end, especially Walkway, if you could show some light?

Nissan Joseph:

Yes. So, Mansi, it's not unusual that we're seeing some eroded demand on the lower end of the segment. But to be very fair, it's also caused by the fact that we've exited some price points in the lower end. When GST goes up from 5% to 12%, which is a 700 basis point hike, you're going to lose some price points that, unless you take away quality or start selling product of a much lower quality, you don't wanted to stay in, you cannot stay in. So some of it is that, but you're right, we are seeing some challenges in that segment. Having said that, it's not like we're not seeing growth come in that category, in that concept. It's just that it is definitely more challenging for that concept in the lower price points.

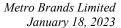
Mansi Desai:

Second question was on the store guidance. Despite opening 90-plus stores in the first nine months, we continue to maintain the store guidance. So are you like being conservative in that front, considering the penetration story is so large in India, even at the moment?

Nissan Joseph:

Some people call it conservatism, some people call it financial discipline. We like to call it financial discipline. So, as I said, we're going to vector to two things. We guided to 260 stores, as you said, Mansi, and we're going to ensure that we hit that number, or exceed it, and that does not include FitFlop or anything that we've got from the Cravatex opportunities that come through FILA and Proline.

But we are going to open as many stores as we can that we think is the right opportunity for us. In all geographies in India. So it's not about Tier 1, Tier 2 or Tier 3. It's not about north versus south. It's not about 200 versus 300 stores. It is about, is the deal that we're looking at today the right deal for whichever one of our concepts? And given the fact that we have multiple concepts, we can really quickly filter these opportunities well and see if there's a fit.





Mansi Desai: And just one last question on the ASP, particularly for Q3. It's still at INR 1,450, am I correct?

Or that's the nine month number?

**Kaushal Parekh:** It's a nine month number, YTD, nine month number, and it is around INR 1,450, yes.

Mansi Desai: So for Q3, if you can share the ASP?

**Kaushal Parekh:** For Q3, it would be around INR 1,510, INR 1,515, maybe.

Moderator: We have the next question from the line of Rishi Mody from Marcellus Investment Managers

Private Limited.

Rishi Mody: In your presentation, you've written that you have invested in the tech front to get as much data

as you can from your membership and your retail point-of-sale software. So just wanted to get more granular details on what investments on the systems or software as well as on the people front that we've done? As well as what insights has this activity been throwing any couple of instances or any couple of insights that have helped you which you weren't aware of earlier?

Good afternoon Rishi and thanks for that question. So we've invested in multiple technologies as you know, all these tech stacks all offer something unique and they have to speak to other tech stacks. So integration becomes quite the challenge as well. But we do have OMSs, CMSs and WMSs now syncing. So our order management catalog, catalog management system and warehouse management systems now all syncing with each other. That's a significant both investment in time and in money that we've done to get these programs installed in our company.

And we're still not completed with it because we believe we want to layer on other technologies like I mentioned of artificial intelligence, picking up correlations between data points that we would not have normally picked up on. Don't forget something, it only answers the questions you ask it. Whereas AI will figure out what you need to be looking at as well and that's what we're excited about.

We've done an extremely good job of mining what we have today. Having said that, I think there's a lot of opportunity left in what we can do, whether it's informing of cohort groups or looking at shopping behaviors. We were quite pleased to see that the overlap between Metro and Mochi, and we're not going to disclose it, but I'll tell you it's not as significant as we would have thought it would be, especially since almost 80% of our stores overlap. So we are catering to unique customers between those two. We're also pleased to see that there is an overlap between Walkway and Metro and Mochi, which also surprises us because we thought we were catering to totally different consumer there. So I'm just sharing with you some little insights to give you an example of the kind of stuff it's throwing back at us.

But fundamentally today, our systems are geared to tell us what we ask it to tell us. Cohort groups, adjacencies, the same recency, frequency, monetization of consumers and consumer segments and groups. But we believe that with the technology additions that we're doing, it'll give us an opportunity to leverage those 12 million customers we have in that database even

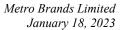
Rishi Mody: My second question was on Walkway? So Walkway, we had earlier attempted a value format

footwear brand, but we didn't seem to be so successful, and hence we re-launched as Walkway this time around. So just wanted to understand what learnings have we picked up from the last time around, what have we changed based on those learnings and what's the confidence given that we have scaled up Walkway really fast, really well, 64 stores, I think by this, by nine months,

by 2013. So just wanted your insights on the value format?

Nissan Joseph: Yes, so I think we tried a lot of different things with Walkway. Some of them have worked.

Some of them have not worked. As you know, last year about this time we exited the SIS stores





that we had in a value format department store. So it is one of those things that we will continue to experiment with. It is a different business from our core premium business. It requires different real estate. It requires extremely different product lines. It requires a different sales force. And these are things that we have been unwinding and putting together very carefully.

We believe we are now strategically positioned to focus Walkway in the south and the west of the country where we have had the most success with it. I think it is still a work in progress, but we are quite pleased with where it is going. But I think it still has some work to do. Given the fact that we have gone through this K-shaped recovery and seeing some pressure on the lower segment of the business, that definitely hasn't helped it. But I think these are just periodic things that happen in the lifecycle of a retail concept.

Rishi Mody:

Just a follow up on this Walkway piece, right? So what sort of a team have we created for Walkway? Is it an existing Metro team which has been allotted to the Walkway team or have we hired someone from a relevant value format background?

Nissan Joseph:

So just to be clear, all our business units are run by individual, what we call SBU leads. So each of these strategic business units have a leader in place. The people running the Walkway business come from the value business. They do not come from Metro and Mochi. They come from the outside. They come specifically from this industry. And we look for that kind of talent to put into that business because we know it's a different business to ours.

**Moderator:** 

We have the next question from the line of Gaurang Kakkad from Haitong Securities.

Gaurang Kakkad:

Congratulations on a very good set of numbers. So I have two questions. Firstly, in terms of the Cravatex portfolio, like we have a vision in terms of scaling this business over the medium to longer term, say for the next one or two years, how much would the investment would be required in this business? If you can quantify that, maybe in terms of say, impact on the metro margins, that would be the first question.

Kaushal Parekh:

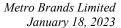
So, Gaurang, let me break this up into two parts. In terms of investment expected in this business, it is still work in progress. But as of today, we have funded them by INR 115 crores. Of that, INR 106 crores was the repayment of debt. This was part of the overall consideration that we finalised for acquisition of the brand. So, in last month effectively, there is an investment of around INR 8 crores to meet the working capital mismatches that we see for a temporary period.

Our expectation is over a period of time over next three to four months, this working capital mismatch should get addressed and our long term endeavor would obviously be to make sure that Cravatex as a standalone entity is able to fund its own growth and the balance sheet. In terms of gross margins, I am talking about long term period and just extension of what Nissan said, we have carefully evaluated the brand and we don't foresee any reason why the long term gross margin, EBITDA and PAT for FILA should be lower than our current margin structure with the existing five brands.

Over a near term period, since our focus would be on liquidation of excess inventory and cash conversion cycle. You may see some pressure on gross margins on a standalone basis for Cravatex. But once we have, post six to 12 months, when we shift our focus more on EBOs after testing the products within our MBO network, once that process starts, we feel our margins will be similar to what we do in other five formats of ours.

Gaurang Kakkad:

Secondly, the business is doing pretty well in terms of growth, in terms of margins, etc. And is throwing out a lot of cash. Now, given that the expected cash generation is going to be strong based on what the numbers current year are. Are we looking at say, materially improving the dividend payout ratios or is there a stated dividend policy? What will be the thought process on the cash that is likely to be generated?





Kaushal Parekh:

So, Gaurang, if you see our history over last more than 15 years, we have consistently paid out 25% or there about of the PAT that we generate over a period of time. So, our endeavor would be to try and stick to that ratio. We also have a dividend policy which pays 20%, but historically we have done 25% and we would want to stick to it.

There are other factors, we just invested in CBL that is our biggest investment till date, wherein we invested about INR 203 crores. So, unless and until we see such an opportunity, we intend to continue to maintain the dividend payout ratios that we have done for last 15 years. And also just in last quarter, we have declared interim dividend of INR 2.5 per share in this quarter.

**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. Over to you, sir.

Nissan Joseph:

Thank you very much. Thank you Axis Capital for hosting us. Thank you all for joining us through this. We're very excited about Q3 and we remain optimistic for the future. Metro Brands is always going to do what's financially disciplined and with operational rigor. We're all about delivering what we said, we would deliver against our numbers of gross margin EBITDA and PAT. Thank you for your support and we look forward to meeting some of you in the near future.

**Moderator:** 

Thank you, sir. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you, everyone. Have a great day.