



**“Metro Brands Limited  
Q3 FY '25 Earnings Conference Call”  
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**MODERATOR:** **MR. ANURAG LODHA – AXIS CAPITAL LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Metro Brands Q3 FY '25 Earnings 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 conference call, please signal an operator by pressing star, then zero or your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anurag Lodha from Axis Capital Limited. Thank you, and over to you, sir.

**Anurag Lodha:** Yes, thank you. Hello, everyone. Welcome to Metro Brands Q3 FY '25 conference call today. From the management, we have Mr. Rafique Malik, the Chairman, Mrs. Farah Malik Bhanji, the Managing Director, Mr. Nissan Joseph, the Chief Executive Officer, Mr. Kaushal Parekh, the Chief Financial Officer, Mr. Mohit Dhanjal, Chief Operating Officer and Ms. Alisha Rafique Malik, the President, Sports Division, E-commerce, and CRM. Thank you, everyone, for joining in to the call. And I will now pass over the call to the management. Thanks.

**Nissan Joseph:** Thank you. Good afternoon, and thank you for joining, and welcome to our Q3 FY '25 earnings call. As reported in our filings on a stand-alone and consolidated basis, I'm pleased to share that our revenue has now gone back to double-digit growth as we reported a 10% growth over last year Q2.

In addition to that, our EBITDA grew 13% to over 32% in the quarter, and our profit before tax grew 18% over the same period last year. We are pleased to see business continue to improve over the previous quarters and that growth is coming across all our banners. We had a good October and November and a decent December despite a lot of our competitors, and I dare say almost all of our competitor's going on end-of-season sale early.

Our e-commerce business continues to perform to expectations, and we were able to start testing the quick commerce channel in a few markets with some success. We will continue to monitor this channel to ensure that we capitalize on any meaningful opportunity it may present to us as it continues to evolve. For the quarter, we opened a net of 22 stores, which takes the 57 net new stores for the year.

I would like to reiterate that we do intend to hit our previously stated target of 225 stores for over the 2 years ending fiscal '26. To do that, we plan on opening 140 to 145 stores next year. We successfully launched the first Foot Locker in October and also opened the largest Croc store in India in the Lulu Mall in Kochi.

We have been conservative in our projections of new stores of Foot Locker given the uncertainties of the BIS regulations. We currently have 3 more stores signed up, and we're pleased to see that the government is starting to improve factories for our partners in Southeast Asia and other geos. We will have more clarity on the supply in the next 4 to 8 weeks, at which time we will form up our new store plans for the coming year for Foot Locker.

On the Fila front, I'm glad to report that we are done with the liquidation of all goods, and we launched the first tranche of goods into our stores in October. We were very pleased with the

results, although it was a small test launch, and we will progressively increase the depth of each launch starting in mid-February as we spend this coming year in repositioning the brand.

As I mentioned at the previous call, the sales trajectory continues to improve, and more importantly, we continue to be in our consistent guidance of margins in the 55% plus range and EBITDA in the 30% range. And with that, I would like to turn the call back to the moderator and open it up for the Q&A session.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Khetan from SMIFS Institutional Equities.

**Aditya Khetan:** Thank you, sir for the opportunity. I have a couple of questions. Sir, first question, is it possible to quantify the Fila inventory liquidation loss during the quarter, absolute figure, sir?

**Kaushal Parekh:** So, impact on gross margins due to that was close to about 50 basis points.

**Aditya Khetan:** And sir, in absolute figures, if you can share like any sort of a number, if you can?

**Kaushal Parekh:** Obviously, since these were discounted sales number is would be meaningless in terms of the overall quantum.

**Aditya Khetan:** Okay, sir. My next question is, sir, are you witnessing any sort of a change in consumer sentiment from the high premium categories to mid-range, considering the urban and the rural slowdown? Is there any change which can materially change the trend like towards the premiumization journey, what we are talking about?

**Nissan Joseph:** No. So, what you've seen last quarter is we hit 55% in goods over INR3,000. So that continues to grow for us. We're not seeing any distinct differentiation between the urban and the rural market when it comes to shopping for premium products at our banners.

**Aditya Khetan:** Okay. Sir, when we look at the ASP for the last 6 quarters, sir, it has been largely at the same number only, so INR1,500. Sir, I believe like even with seasonality, I think it should have changed. Like when we look at your 2022 numbers, so there at least, we see some seasonality or change in like numbers. Now it seems like more of a bookkeeping entry only. We are keeping that, so that's the same number only for the last 6 quarters. Any thoughts on this, sir? Like why is it at the same level, last quarter also and in this quarter also?

**Kaushal Parekh:** Yes. Actually, the ASP that's arrived at is based on total sales but by quantity, right? And since our accessories sales are increasing, the increase in ASP that they've seen is not getting reflected. Maybe what we'll do next time around is show overall and even show maybe footwear ASPs. That would give a better flavor, in terms of the growth that's happening.

**Nissan Joseph:** And also, we've seen growth in our walkway channel, and that's going to be offset by growth in our Crocs channel. So, you have this balancing that happens on ASPs. So when you have 8 banners of business, all of them coming in at a different average ASP, when one grows, the other one also grows. It can have both an acceleration and a deceleration effect on the ASP.

- Aditya Khetan:** Got it. Sure. Sir, in last quarter, sir, we were quite confident of opening around 100 stores for FY '25. But now I think we have toned down that guidance. Any particular reason, sir, what could be the reason for it?
- Nissan Joseph:** Sure. So, there's a couple of reasons for it. One of them, as you know, there's a lot of malls that are delayed in opening, right? And we don't open a mall unless we see visibility of about 50% occupancy coming online when we open because we find it to be quite unattractive to open stores in malls that aren't fully occupied. And they don't have to be fully occupied to do that. So, we've had a considerable number of stores get pushed out as late as into Q1 of next fiscal year. So that's one thing.
- I also think there's a lot of demand for retail space. You've seen multiple brands talking about opening up hundreds of stores. So, there is a big push for retail space. We're seeing that demand slowing down and hence, the confidence comes back to us for opening our target stores for next year.
- Aditya Khetan:** Got it. Sir, any particular figure, if you can provide for the new store opening in Foot Locker, in Fitflop and for the New Era, for FY '26, how many stores will you add?
- Nissan Joseph:** Right now, for FY '26 for Foot Locker we're taking a cautious stance till we have full visibility of our BIS initiative and how that's going to play out because supply is critical for the Foot Locker chain. The good news is that we're not impacted by that in our core businesses, Metro Mochi, Walkway and even Crocs is not impacted by that all. It is really the Foot Locker business that's impacted by it. So we will hold on that until we see what's going to happen.
- However, we have signed up almost 3 stores to open in the next 6 to 9 months of Foot Locker. So, it's not like we're hitting pause on it. It's just that we're being cautious about the growth there. The new era business is new to us. It's also new in the country. So, we're going to take that cautiously. We've opened 3 kiosks so far. We have a few more on the books. But we continue to evaluate this. These are moving targets.
- So, I don't really want to give a forward-looking statement here at this call that at some point, we'll come back, and we'll have to hold on to it. So rest assured, though, we feel confident we're on track to open up the 140 to 145 stores next year, which will put us in that range of the 225 stores that we talked about.
- Aditya Khetan:** Sir, just one last question. What would be the average size per square feet for this segment, the New Era?
- Nissan Joseph:** Yes. We don't break those numbers out, typically. So, I'd rather not start that process. But if you look at our investor presentation, you have a good idea of the price range that we sell and what the square foot of the store itself.
- Kaushal Parekh:** Broadly for New Era, the average price point would be were around INR3,000 to INR4,000. And for kiosks, obviously, the size would be around 150 to 200 square feet max.
- Aditya Khetan:** Ok sir, thank you.

- Moderator:** Thank you. The next question is from the line of Videesha Sheth from Ambit Capital. Please go ahead.
- Videesha Sheth:** I'm sorry, I'm asking this question again. But given the lower than anticipated store addition in FY '25, what exactly gives confidence in terms of adding 140 stores to 150 stores in a single year because it seems to be on the higher side. And given the current subdued consumption landscape and lack of visibility of revival, if you could just take a minute on that, please?
- Kaushal Parekh:** Videesha, I think we also had covered in our last earning call. Post FY '23, and after that COVID bump we saw rental sort of shooting up, right? We were not comfortable signing certain leases, and we decided to go slow because these are long-term leases, for 7 to 9 years. It doesn't make sense just to hit a number, sign something which is going to come and bite you later, right?
- What we are seeing now, is slight tapering off in terms of the rental expectations. And hence, it gives us that opportunity to push the paddle. And we always said, when there too much euphoria in the market, you might see us going slightly slow. And when we see the environment coming back, when there is slight pessimism in the market, that's the time when we get best rental deals, and that's what we will try and push.
- Also, Nissan just alluded to certain malls, which are getting pushed into next financial year. We have already signed the LOI, but those are getting pushed in the next financial year. So, we have some visibility in terms of what would come in H1 of next financial year. So, considering that, we feel hitting that 130, 140 number should be doable. However, having said that, if we do that, it would be our highest sales growth, but we are aspiring to hit that number.
- Videesha Sheth:** Got it. And what would be the revised growth guidance? And how would you pick the current consumption environment with the 12%-15% revenue growth guidance?
- Kaushal Parekh:** So, we would avoid giving any specific number. But if you just see last 3 quarters, Q1 was muted 0% sales growth, Q2 was 5%. Q3 was 10% and Q4, there will be an end of season sale as well as we see a strong dispersion of marriage dates in this quarter. So that gives us confidence, we should follow that trajectory that we have seen over the last 3 quarters, and Q4 should be reasonably good.
- Videesha Sheth:** So, Kaushal, not just from a near-term perspective, but even when we talk about the next 2 to 3 years, how would you look at growth?
- Kaushal Parekh:** So, if you see from a longer-term horizon, if you see last 10 years for us, our average sales CAGR has been around 14%, right, which is predominantly achieved through 4 brands, Metro Mochi, Walkway and Crocs. With the newer brands, a few of them are in incubation stage, but you know, they will all start delivering from FY '26 onwards. That gives us confidence that if you're modeling us for a longer-term horizon, 2 to 5 years, we feel achieving a top-line CAGR of 15% to 18% should be doable.
- Videesha Sheth:** Got it. And second question was just on the profitability side, barring the impact from Fila, what would be the reason for your gross margin expansion? 130 basis point gross margin contraction?

- Kaushal Parekh:** Contraction, right?
- Videesha Sheth:** Contraction, yes.
- Kaushal Parekh:** Obviously, Fila was one of the reasons, if you see second pointer, our e-commerce contribution has increased slightly from about 9.5%, 10% to 11%. So that also has some impact on the overall gross margins and Fila liquidation, we already discussed. So broadly, if we take these two together, that broadly explains the gross margin impact that you're seeing in last year and for the current quarter.
- Nissan Joseph:** But I would like to reiterate, the 59% margin is what we guide to. We say, we actually guide to north of 55% Videesha, and we've hit 59% last quarter.
- Videesha Sheth:** All right. And just lastly, a follow-up to that. Is there any specific reason that the opex is increasing or is growing just by 3% to 4-odd percent. Even I think last quarter, the run rate was on the lower side. So, any cost control measures that you'd like to call out?
- Kaushal Parekh:** In fact, many cost control measures. We generally do ground up budgeting. And so at all times, all the costs are looked very carefully. And we try and control costs. There are good costs, which you continue to expand, which helps you to improve sales. And then there are certain costs which are discretionary in nature. Depending on the sales performance, etcetera, those are the levers that we sort of try and work on.
- Nissan Joseph:** And I think you've also seen an increase in our marketing expense, which we think is critical to continuing to build the brand.
- Videesha Sheth:** Got it. That's all from my side.
- Moderator:** Thank you. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.
- Sameer Gupta** Good afternoon and thanks for taking my question. Congratulations on a good set of numbers. Most of my questions have actually been answered. So just your thoughts on BIS. Now during the opening remarks also and in the media interview also, I heard Nissan saying about certification for factories in Southeast Asia. So, which are these countries? And does that help Metro specifically? I mean it's a step in the right direction, but specifically for Metro, are these factories which are linked to Metro in any way?
- And just incrementally, the situation regarding BIS uncertainty, if, let's say, last quarter to this quarter, would you say getting feelers that it is getting better and there is some resolution in sight going forward? I understand that Nike, Adidas supplier Hong Fu has set up some manufacturing in India. So just your thoughts on all these pieces.
- Nissan Joseph:** So, I think it's been a little bit of a moving target. And these things usually are when they implement it. So, what happened was in the calendar back half of last year, no factories were being certified. So, there was an absolute impossible situation to import shoes in. However, in the last few weeks, we know multiple factories in multiple countries in Southeast Asia that have

started getting approved. And consequently, those products are going to start shipping and coming through soon.

I do want to reiterate, though, that for the Metro shoes and the Mochi shoes banner, we have zero exposure because of BIS. Because we have mitigated and moved all the production we need to India. And so consequently, there's not an impact to our core existing business. As you know, the footlocker business is extremely small, and we're being cautious about it. Even Fila, we've been able to move production to India. So that's not going to hold up there either.

So, our exposure to BIS in total is significantly very small. Having said that, we also know that a lot of the brands, beginning with Crocs and all, some of the brands that you mentioned, have started production in India for Indian markets and also for global markets. So that's another way that we feel it will mitigate. So, overall, I think the BIS issue should resolve itself, maybe not fully, but enough for us to get a clear roadmap of what the future looks like.

**Sameer Gupta** Just a follow-up there. Can you name some countries with where the BIS certification has happened, like is it Thailand, Indonesia, which are these countries?

**Nissan Joseph:** The two countries that I've heard up and I want to make sure you understand that this is not absolutely validated, but I have no reason to not believe it, is that it was Vietnam and Indonesia.

**Sameer Gupta** Great. Thank you. Secondly, sir, on Walkway, I mean, I just wanted to understand what's happening on this piece. I understand you don't give store format-wise guidance, but not a lot of stores have been added over the years. And this is an economy segment, it is a bigger market. Just wondering if you have your strategy in place in Walkway? Are you still calibrating how you're going to address this market? Is it related to franchising versus COCO stores, something on that regard?

**Nissan Joseph:** So just so, Sameer, so we know that there is a strategy in place for Walkway. Executing a strategy takes time. It doesn't happen overnight. And you've got to validate it through various tests that you run in the market, various programs you put in different stores. You have control group of stores, you have test group of stores, to validate it. These are not overnight things that happen in our business.

And, I must say that the one big value retailer that everybody admires today, without naming names, it took him quite a few years to get that model right. It's not an overnight success as we would all like to believe and see it is. It took years to get that model right. I believe there's immense opportunity for the Walkway brand. But at the same time, like everything we do, we make sure we know what we're doing before we double down on it. So that's why you've seen us be a little muted in our growth there, as we just try to focus that market.

In a previous call, I'd mentioned that, we were going to focus first and foremost on the South and the West. And that continues to be the plan. And the reason we choose that is because it doesn't have as much of a seasonality impact. So, we can get one season down and then we'll start moving into Northern plains. So, there is a strategy in place. Just because you're not seeing motion on the new growth site, new store growth, doesn't mean we're not testing out and executing against how we go, from step one to step five of that strategy.

**Sameer Gupta:** So again, a follow-up here. You said it takes time to get the model, right? At this point, do you believe the model is right?

**Nissan Joseph:** I think we're seeing green shoots that give us some optimism on it.

**Sameer Gupta:** Got it. That answers my question. Thanks a lot for taking all my questions. I'll come back in the queue for any follow-ups.

**Nissan Joseph:** Thank you, Sameer

**Moderator:** Thank you. The next question is from the line of Saurabh Kundan from Goldman Sachs. Please go ahead.

**Saurabh Kundan:** Thank you very much. My question, Nissan and Kaushal is, if you could please break down the sales growth that you were seeing in each of the 3 months this quarter, that will help us understand how you kind of progressed through the quarter? And if you could give some color also on why you saw that growth?

**Kaushal Parekh:** Saurabh just to understand your question better, breakdown, in what sense we generally don't disclose the SSGs that we have seen.

**Saurabh Kundan:** Just the sales growth number, what were you seeing in October, November and December, if you could break down for each of these months?

**Nissan Joseph:** Sure. So, Saurabh, just so we're all transparent about it, Diwali was 2 weeks earlier into October. So, we did see a considerable list of sales in October. We were anticipating a little bit of a downer in November as we went against the Diwali numbers from last year, but that didn't happen. We held our own. So, we felt good about that.

December started off pretty well, but then towards the back half, it slowed down a little bit also because I think a lot of retailers, as we've come up on the back end of what's perceived to be a slow sale, less than anticipated sales season, I think a lot of retailers were trying to get out of inventory and so we saw a lot of retailers go early with the end of season sales.

Could that have muted it? That probably had an effect to us too because we did not feel we needed to put our products on sale any sooner. So, there's a number of factors, but in a sense, I would say October was an A plus and November was a good B and then December was a C.

**Saurabh Kundan:** Right. That helps. Thank you very much. So, Nissan, the other retailers going on their EOSS early seems to be becoming somewhat a trend, them doing it in mid-December instead of ideally perhaps late-December or early January. And this obviously happens to be a quarter which is seasonally the strongest for you.

So, it could become like a problem almost every year now it seems. Any thoughts on how to counter this, whether to start participating a little bit in these discounts or any thoughts around it will really help? Because sequentially, I know that you've jumped, sales growth is impressive, but since you were coming off a low base, it could have been even better had you sort of, say any thoughts on this, how do you counter this if it keeps happening every year?



**Nissan Joseph:**

Yes, I think it's a little bit cyclical too, right? Don't forget we've come off 2 quarters that were relatively soft for consumer goods, right? And I don't speak just to ourselves, I speak to the entire space of consumer goods. It was considerably softer than anybody anticipated. We knew that with the offset of wedding dates, it was going to be challenging on the front half, right? So, when people are optimistic and euphoric about retail, they tend to buy heavy.

If this continues, of course, will it be a challenge to us? It will be a challenge. However, people aren't buying products just because they're in sale. People are buying products because it's compelling product and it is value for money. So, that's number one.

And number two, we do have a huge customer base that waits for our EOSS sales. As late as we go in sale, you would think that everybody would have spent their money and we find that not to be true, that consumers do have a lot of...they're holding off for Metro to go on sale and Mochi to go on sale. So, I think it's a matter of how strong your brand is, Saurabh, that you will be able to do this.

We see this in the athletic footwear industry where we don't have a play in it today, but different brands have different inventory problems every year. So, they do different things every year. So, this will continue. It's not that everybody's going to go sooner and sooner. I do think, though, when you go 2 weeks into December into sale, it's just a sign of no retailer wants to do that. They have to do it because they've got too much inventory. Typically, that's what that means.

**Saurabh Kundan:**

That's helpful. One last question. I thought the year-on-year growth or slight degrowth in sales per square feet that you reported. It's only at minus 1% now, which is a reasonably good number looking at the fact that you've added stores. You have added 8% stores year over year. Now you plan to add a very high percentage of stores in the next year and assuming that you actually achieve that number, it also has an impact on the sale per square feet, right, because you'll have a high percentage of young stores in the mix. Any sort of idea if you can give to us on this sales to square feet number?

**Kaushal Parekh:**

Saurabh, the way we look at this is, let me give an example. When we evaluate new stores, we hardly see what kind of sales per square feet it's going to generate. What's important for us is whether we will be able to generate and maintain or improve our margins from the new store that is coming in. So, a small store in a tier 3 town generating, say, INR20 lakh sales. I'm just giving an example here. But if it is giving me 15% PAT, I'm more than happy.

In those towns, maybe you get a slightly bigger space at very reasonable rentals. So, we are not too perturbed about how that number moves. Most important thing for us and that's how maybe a good thing would be to evaluate a retailer is both in conjunction, in terms of how the sales per square feet is moving and how the profitability is moving from quarter to quarter and year to year.

**Saurabh Kundan:**

Fair enough. Understood. Maybe EBITDA per square feet or some number like that is probably more relevant in that case. One last question, one last from my side. It was helpful that you mentioned those monthly trends, are those trends any different in Metros versus Tier 2, Tier 3.

For example, is there more competition in Metro's less in Tier 2, 3? Any color if you could give us?

**Nissan Joseph:** No, I think the only differentiation we saw there, Saurabh, was where Diwali is important and where Diwali is not important. Where Diwali is not important. There was probably more of an evenness between October and November, where Diwali is super important. It was more of a distortion to October's numbers than it was to November's numbers. So it's really more about the local rather than the tiering of city.

**Saurabh Kundan:** Great. Thanks, Nissan, thanks, Kaushal.

**Moderator:** Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:** Thanks for taking my question and congratulations on your return to double-digit growth. Sir, first question is towards Fila India sourcing, right? So we have made a comment, as we have been able to sort of source domestically. So, the question was, is it the entire desired range for Fila, we have been able to source that? Or is it like only a part of offering that we have been successful for Fila?

**Nissan Joseph:** So, I think we are growing. We are repositioning Fila this year, right, Devanshu? So, what that means is we're launching capsule collections to start with, then we'll increase the frequency and the width of the collection. So, it's an evolution as we reposition the brand, right? So, it's not like there's a full range that we even expected to launch back in October, November of this year.

We expected to launch a very tight range because we want to reposition and we at the same time, we want to make sure we're learning as we go because we are trying to attract a different customer than where Fila used to play, right? So, for that reason, we haven't faced any challenges and as we evolve the range and it grows and grows, we will expand the manufacturing capabilities to appropriately fill that need.

**Devanshu Bansal:** Understood. And also, there is some change in royalty arrangement with Fila. So, any sort of clarity as in what was it before? And how does the revised arrangement sort of benefits us?

**Kaushal Parekh:** Devanshu, it's obviously slightly sensitive information. So, we have not given the overall royalty, etcetera, percentage, absolute amount out. But just to clarify, what we have done is, try to realign our royalty expense to the kind of sales ramp up that we expect to see over the next 2 to 3 to 4 years. So that's how the royalty would sort of hit the books of accounts, more in line with how the sales growth would happen.

**Devanshu Bansal** Just to better understand, Kaushal, is it like currently if the base of sales is low, then you may be paying lower percentage of sales? And when this base grows, that royalty percentage may increase. Is this the right way to understand it?

**Kaushal Parekh:** It's not percentage. But yes, broadly, if you plot the sales number and the royalty number over the next 3 to 4 years, it would be more aligned to the sales growth that we expect to see.

- Devanshu Bansal:** Okay. Understood. And a few questions on the matrices side, right? So I'm noticing that among regions, South is seeing sort of relatively higher expansion, but from a contribution perspective, that is sort of reducing from a revenue perspective. So what is the reason for this lower growth in the southern region and are we sort of expecting to grow faster than that geography?
- Kaushal Parekh:** Nothing much to read about Devanshu, there. Temporary blips, a few percentage points here or there. East remains our area of focus because that's where we want to increase our presence. But you won't see a significant movement across -- you will see a consistent growth across all the geographies. So, nothing much to read into that.
- Devanshu Bansal:** Understood. And likewise, Tier 2 towns among all these tier of cities that we mentioned, so that there the growth is sort of significantly lower versus the other tier of town. So, is it like there is some noticeable trend there? Or we should not read much about it there?
- Nissan Joseph:** Again, as a percentage of business, the Tier 2 number has stayed pretty consistent, right, over the last couple of quarters and years. So, I don't know what you're seeing on Tier 2 that would lead you to think there's not that growth happening. And as far as the percentage of business, like Kaushal said, it's not significant of a blip to say it's gone from 24% to 23%, but it used to be 22% a few years ago. So, these are ranges that really happen in business as opposed to trends.
- Kaushal Parekh:** And obviously, Devanshu, over a period of time, for a few of our slightly matured brands, you will see expansion more in Tier 3 and 4 cities. So, obviously, when that happens, when you see the percentage in terms of number of stores, you will see that say metro and Tier 1 would keep going down slightly. However, we expect sales distribution to be more in line. So, it should fall in place.
- Devanshu Bansal:** Got it. Thanks for taking my questions. That's it from me.
- Moderator:** Thank you. The next question is from the line of Gaurav Jogani from JM Financial. Please go ahead.
- Gaurav Jogani:** Thank you for taking my question. My first question was with regards to the Tier 2 segment only. So, actually, we were seeing that, of the stores added, approximately 40% of the stores were added in the Tier 2, Tier 3 towns over the last 1 year. So, could that be a reason why our sales per square feet has not increased because these stores are in these Tier 2, Tier 3 towns, though profitability has seen a better improvement versus the sales per square feet improvement?
- Kaushal Parekh:** Yes, Gaurav. That is obviously one of the reasons why you see that movement in the sales per square feet.
- Gaurav Jogani:** Yes. So, it is not really an indicator of an SSG, basically, the lowest sales per square feet. Would that be a reason for signing it?
- Kaushal Parekh:** It's a combination, Gaurav, because SSGs and the expansion in Tier 3, 4 reasons, both have impact on that number.
- Nissan Joseph:** But it's not a reflection of SSG is this particular case.

- Gaurav Jogani:** Sure. Okay. And sir, the next question is again, with regards to the store openings. So, the clarification with regards to that is, the store openings that you're guiding, for 125 odd stores for the next year, probably, or the total 225 stores by FY '26, would that be a gross guidance or a net guidance?
- Kaushal Parekh:** Net guidance, Gaurav.
- Gaurav Jogani:** And this would not include the Fila or the Foot Lockers too, right?
- Kaushal Parekh:** It would not include Fila, but it includes Foot Locker.
- Gaurav Jogani:** Okay.
- Nissan Joseph:** Gaurav, I just want to point out, When you see our store closures and you see our store openings in the previous quarters, it used to include relocation. So, it would show up as a closed store, on our closed store list and it would show up as a new store, in the new store list. The net would be zero, of course, zero store growth. But now I don't know if you pick it up, but we started reporting it fully as a clean number. So, if we relocate it, we just consider it as an existing store.
- Gaurav Jogani:** So, that was actually the Q1, Q2 numbers because of that. So, yes, we did notice that. And, Nissan, last and final question from my end is, in terms of the margins, we see that the margins are already at a healthy level. Though we have seen some gross margin contraction during this quarter, A, because of the Fila 50 bps law that we see, and one of the other reasons that Kaushal mentioned.
- But how should one think about the margin here on a medium-term basis? Say the next 4 months, I guess, can we expect steady EBITDA margin expansion and not the gross margin expansion from the current levels, given that, the Fila law says will now come out and probably that would turn to the part of profitability, which it's not contributing right now?
- Nissan Joseph:** Yes, you should expect that. But I must caution you that from quarter to quarter, they have different margins. Because in Q4, we go into end-of-season sales. So, the gross margins will be slightly dampened compared to Q3. So, that's number one, right? But you're absolutely right that, now that Fila is behind it, overall, that's accretive to our margin structure. And that's probably a true statement on your part.
- Kaushal Parekh:** Yes. Gaurav, just wanted to remind that we do have good amount of our costs which are already variable in nature. So, beyond a point we don't expect significant synergies to sort of come in. Having said that, if our overall top line growth is upward of 15%, obviously, you will see benefit flowing through in EBITDA.
- Gaurav Jogani:** Sure, thank you for taking my question. That's all.
- Moderator:** Thank you. The next question is from the line of Vicky Punjabi from UTI Mutual Fund. Please go ahead.
- Vicky Punjabi:** Yes. Thanks for taking my question. Just quickly, again on the revenue per square feet decline of 1%. I mean see the context of this environment was it's coming on the back of a 10% decline

last year. We had a much better number of wedding dates. And the expansion at 8% to 9%, whatever, 9% or 10% kind of old retail space expansion doesn't seem to be saying that we should have seen such a sharp -- I mean, we should have seen a decline at least on a revenue per square feet basis. I mean, I'm just thinking, how do I read into this, in terms of performance?

**Kaushal Parekh:** Vicky, even last year, we didn't see a decline. We saw 6%, 7% growth. And we also just discussed, right, addition of stores in Tier 3-Tier 4 town.

**Vicky Punjabi:** Sorry, sir. Kaushal, I meant revenue per square feet, which was down 10% last year, not the total revenue.

**Kaushal Parekh:** Sorry, Vicky, revenue per square feet. Are you referring to any particular slide of the presentation or?

**Vicky Punjabi:** I mean last year, so I remember last -- at least the data I have last year, it was at INR5,200 this year, it's INR5,150.

**Kaushal Parekh:** Correct. Yes.

**Vicky Punjabi:** Yes. And I think the last year, INR5,200 itself was almost a double-digit decline. I mean it came off a beat of INR5,750 crores.

**Kaushal Parekh:** You're comparing with FY '23. And obviously, FY '23, all of us know right, it was a bumper year with all sorts of revenge buying, wardrobe refresh, whatever you call, across all categories, that sales was, you know, you clearly saw that COVID bump and pent-up demand coming in there. So frankly, that was not a terrible number.

But if you see, if you see our sales per square foot, pre COVID, it used to be around INR17,500, INR17,000, thereabouts. And which is currently around INR19,000 to INR20,000. So, we have seen a healthy growth. If you if you just put those numbers and see growth over last 3, 4 years.

**Nissan Joseph:** And also prior to that, we had a lot more as a percentage of our business, Vicky. We had a lot more Croc stores than we do today. And I think your question why we hadn't grown Metro and Mochi as aggressively as we grew Crocs previously. So, we started growing Metro and Mochi. And of course, one of the effects of growing Metro and Mochi versus Crocs is that, it is going to be slightly dilutive to our sales per square foot because the sales per square foot for Crocs are extremely high. As you know, they are 500 to 600 square foot stores with high productivity. That's just the nature of the beast.

**Vicky Punjabi:** So, this is more of a mix effect, is what's playing on a Y-o-Y basis?

**Nissan Joseph:** Correct.

**Vicky Punjabi:** Okay. And Crocs, it seems like that the unisex performance was very subdued this quarter. Was there anything which is one-off in this?

- Nissan Joseph:** We don't see the subdued in the unisex business like you do. Don't forget the unisex business is more than just Crocs, it's also Slides and that might shift from one brand to another. So, it's not necessarily specific to Crocs.
- Vicky Punjabi:** Ok sure, that's it from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Umang Mehta from Kotak Securities. Please go ahead.
- Umang Mehta:** Thanks, Nissan and Kaushal for the opportunity. My question was on the store additions you are planning to do next year, 140-odd. Now last year, you added 10 cities. Any rough sense of how many cities these stores will add on your overall kind of city count?
- Kaushal Parekh:** So broadly, you should see us adding, say, around 25 to 40 new cities. So, we try to sort of expand in a way that it's predominantly not contributed by new cities. So maybe 60-odd percent coming in from the existing cities where we are already present and 30%, 40% coming in from the new store and new city that we opened. So broadly, you can assume that we would penetrate to further 25 to 40 new cities in the next year.
- Umang Mehta:** Understood. That helps. And the second question was on Fila. So, from whatever you said, it appeared like you have a fixed royalty agreement with them. Now typically in other retail businesses, we've seen that generally the number is variable. My question is, is this fixed number throughout the life of the deal? Or is it fixed in the initial few years and sales are still ramping up to a certain level?
- Nissan Joseph:** Well, I'm not going to speak specifically to the Fila deal because we do like to add some confidential competitive information. However, most deals you'll find Umang, have a combination of either a minimum or a percentage variable, whichever is higher. It has multiple ways to slice and dice between those 2 numbers.
- Umang Mehta:** Got it. Understood. And just one last one. I know it's still early days, but what percentage of your network is already selling Fila merchandise, the new one which you've already introduced?
- Kaushal Parekh:** Close to about 90 to 100 MBOs of Metro Mochi. It is getting sold in Foot Locker, and obviously, in the two Fila EBOs as well.
- Umang Mehta:** Thanks a lot, and all the best.
- Moderator:** Thank you. The next question is from the line of Sourav Mondal from RK Advisory. Please go ahead.
- Sourav Mondal:** Thank you for the opportunity. So my first question is, what is your view on real estate cost going forward? Do you feel it will come down significantly, at a reasonable level? Because we are planning to add a significant number of stores going ahead.
- Nissan Joseph:** I don't see real estate in India coming down in any of the spaces regardless of whether it's business or commercial or personal, right? So, I mean, in an economy that's growing like ours, you're going to see that continue to hold its value at the very least. What I think you've seen that

there are other retailers that posted a net negative store growth indicating that those rents were probably unbearable that they signed down to, right?

Now whether they did it in the last year or they did in the last 3 years, whatever the number might be. We are not anticipating nor are we factoring in a reduction in rentals. We just think there's a tapering off of rental costs coming in.

**Sourav Mondal:** So if we exactly go with our guidance that, we will anyhow add the remaining stores of our previous guidance. So, it will actually increase our rent and increase our costs. So, if revenue growth is like this, then there will be a big problem, a big pressure on the bottom line.

**Nissan Joseph:** You know what, we will not open stores, to open stores. We will only open stores if they meet our revenue and profit targets, right? So, it is not a square foot game. It is not a store number game. But to your point, are you asking me, is there a risk if we open 140, we feel there's enough real estate growth opportunities for us without putting our growth numbers at risk without putting our profit at risk.

**Sourav Mondal:** Okay. So can you say what percent of stores are in a fixed rent basis?

**Nissan Joseph:** We'd rather not divert that number. It's a moving number, right? But I can assure you that a lot of our stores do have an option of variable rent.

**Sourav Mondal:** Okay. My next question is what is the contribution of New Era you are expecting in revenue, say, after 2, 3 years? And what is the estimated addressable market size for New Era?

**Nissan Joseph:** So, we're still testing the market. As you know, the headwear industry in India is not as evolved as in other countries. But I think it's an up-and-coming fashion statement. You know, we're not here to give, again, we hesitate to give that kind of guidance numbers because we're not here to hit a target number. We're here to capitalize on the opportunities in a profitable way, right?

So, you've seen us open 3 kiosks. We're selling New Era in Foot Lockers. We're selling it online. And as we see that, we also see the sports ecosystem growing. And this falls right into that fan base of the sport ecosystem. So, there's a lot of levers or tailwinds that come to this category. But it's not going to be a significant portion of our business down the road, but it augments what we're doing in the sports space very well.

**Sourav Mondal:** Okay. So, considering the macroeconomic situation and sentiment of the people in the retail sector, and all of this. So where do you see the growth coming from? Because this New Era, the price category is very, very high. And the Foot Locker is also a high price category. So where do you see the growth coming from?

**Nissan Joseph:** From footwear. We are a footwear retailer, first and foremost, and we will continue to be a footwear retailer. We see a lot of demand for the products when the season is right. We see a lot of demand for Foot Locker products. In fact, we were quite disappointed that some of our shipments had to be canceled because of BIS. So, it's not a lack of demand.

I think when we talk about consumer spending being muted, it's really not muted. If you look at the international flights are up. 70% of vacations today are international versus 3 years ago, where it was exactly the other way around, where only 30% was international and 70% was domestic. Consumers are spending money. It's just a cyclical thing that happens, and we don't believe that we see any reason to be concerned about a slowdown of demand in the Indian economy for footwear, which is where we focus on.

**Sourav Mondal:** Thank you.

**Moderator:** Thank you. The next question is from the line of Kinjal Mota from Banyan Tree Advisors. Please go ahead.

**Kinjal Mota:** Thank you for the opportunity. I just have a follow-up to one of the questions that is already asked. It is related to ASP of 1500. As you mentioned, that it is coming down because of accessories mix. So, if I try to understand, accessories account for what, around 10%-11% and which would be around less than INR500? So still around 88% of sales come from price point, which is more than INR1500. So, I'm just trying to understand that how does this math work over here?

**Kaushal Parekh:** Yes. In terms of quantities, if the numbers are really high. Take for example, Crocs Jibbitz, these are like INR250, INR300 Jibbitz, which are counted as 1 unit. So, because of that reason, the ASP looks muted. As I mentioned, we would add from next quarter onwards, overall ASPs. But broadly, we have seen increase in our ASPs, and we see it for footwear.

**Nissan Joseph:** But Kinjal, I think we're minimizing the impact of low-price items. So, if you think about it, if a Croc shoe, and I'm just going to give you an example. If a Croc shoe sells for INR5000 and they buy 5 Jibbitz with it or 6 Jibbitz with it, which is not unusual, now all of a sudden you have about INR6,800 transaction and the ASP is now shooting down.

6 things bring that ASP down, against that one shoe. So, it is significant, whereas the sales did not increase that much. So, it's not like even a 1% or 2% delta in increase in accessories can create quite a lowering for overall ASPs. Having said that, I think we will probably want to start giving guidance in the future on footwear ASPs, but we will consider that.

**Kinjal Mota:** Yes, that would be very helpful.

**Moderator:** Thank you. The next question is from the line of Ankit Kedia from Philip Capital. Please go ahead.

**Ankit Kedia:** A couple of questions from my side. First is on Fila. We had our first drop in October, November. How is the response of that in the 2 EBOs and 90 to 100 Metro mochi stores for us?

**Nissan Joseph:** So, we're quite optimistic about that drop. When you think about the fact that the brand has been absent in the market, for quite a while to get that kind of response was good. But I must reiterate, it was a small drop, Ankit. And that's how we do things, right? We test it, we iterate, we test, we reiterate and so on and so forth.



- Ankit Kedia:** So, before the expansion in second half of FY '26, how many drops are expected? And with domestic manufacturing coming in, what is the sweet ASP spot you're considering now? Given that in Foot Locker also, we would have put some Fila products. So, what's the learning for Fila coming from Foot Locker as well for us, going forward to manufacture what kind of products? Where do you think Fila will fit in now?
- Nissan Joseph:** So, what we're learning as we go, first of all, to answer your first question, we're probably going to have 2 to 3 drops this season, as we go forward. So that's the first thing. And as we drop every season, every drop, we expand how many stores it goes to as well. So, it's a double expansion. There's a few more drops coming and they will go to a few more stores in our portfolio, right? So that's number one.
- Number two, what we're really finding is that, the consumer appreciates good sports inspired fashion, and we've learned that from other Foot Locker stores, and we also learned that from our Metro Mochi stores that carry the product.
- Ankit Kedia:** So just a carryforward question. So over next 1 year, how many Metro Mochi stores have a potential to keep the new pricing Fila footwear?
- Nissan Joseph:** So, we believe that number is at least around the 300 number over the next few seasons, as we start to expand it.
- Ankit Kedia:** Sure. And given that you have guided for 140 stores ex of Fila and from second half of FY '26 Fila EBOs will also start. Can we assume an incremental high single digit to near double-digit Fila EBOs, in addition to your 140-store guidance?
- Nissan Joseph:** Yes. So, I think -- listen, we look at Fila with a long runway as opposed to want to do it fast and furious and then make mistakes and regret it later. We believe that in August of this year, we should be looking at about 5 to 6 stores at least. And then we would then iterate from there and then close out the year with a number greater than that.
- Ankit Kedia:** Sure. My last question is on Foot Locker. Given that we have had 2 months, 3 months of Foot Locker now. Where do you think is the demand supply gap in Foot Locker today? What kind of inventory you are not getting to expand? Is it consumers wanting a particular brand which is there, a particular type of product which is missing from the portfolio?
- Nissan Joseph:** So, we're fortunate that every brand in India, that is meaningful to the athletic lifestyle consumer has supported us by providing us footwear. What has not happened is getting that heat product, which is what drives the differentiation for Foot Locker. And that's where we've not had the loss because of BIS. So that's a big difference between what we see, but it's not limited to a single brand, it's all brands.
- Ankit Kedia:** And on an average, if you could just share what could be the bill value Foot Locker today? I'm not asking for the ASP, if you can share an ASP good for us, but what will be the typical bill value, compare it to a Metro Mochi to a Foot Locker, just to help us in comparison the difference?

- Nissan Joseph:** Yes. So just so you know, when we look at the Foot Locker banner, the price range is between INR6,000 and INR19,000, right? Whereas when you look at Metro and Mochi, it goes from INR1,000 to INR10,000 and so on and so forth. That automatically tells you, that the Foot Locker average ticket size will be significantly bigger, than that of anything else we have in our chain.
- Ankit Kedia:** Yes. But the range you are telling us is very high, right? So, from 2 months' experience, if you can give us a smaller range?
- Nissan Joseph:** We'd like to keep information a little bit closer to the vest, if you don't mind. But rest assured that we are quite pleased with ASPs and the average transaction value coming out of these stores. And just as a data point, I can tell you, for example, even New Era sells extremely well in a Foot Locker store. And somebody, I think, mentioned that these are high-priced products earlier on in the call. So that gives you an idea of the kind of transactional value you can have in a Foot Locker.
- Ankit Kedia:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.
- Prolin Nandu:** A few questions. And partially, you answered these questions, but let me just try it in a different manner. The first question is on this reduction in rental or some muted growth there. So, is this a reflection of overall slowdown in retail, right? And is this more specific to the footwear as a category that you are witnessing?
- And how should one think of whether this is just the start and maybe this could go on for longer, given that some of your competitors are seeing the net closures of stores? How should one think about these muted growth, in rental with the competitive intensity?
- Nissan Joseph:** I want to make sure I clarify. We're not seeing rentals coming down. We're seeing them flattening out, right? So that's a good thing because you don't want to keep signing on and signing on as rentals are climbing and climbing. You want to make sure that it's at least normalized a little bit. So we don't see rentals coming down for a bit, but we do see the fact that we're able to negotiate a little bit better because it's not like you don't have 10 people looking for the same spot all of a sudden because the other 9 people have realized that these aren't as easy things to do.
- You know, unfortunately, after COVID, we had quite a few people think that retail was quite easy to do and started opening up stores like crazy and that put a lot of pressure. Not only did they open a lot of stores, roll in and take a lot of the inventory out there, they also didn't realize what good rentals should be in markets, right? So, some of them were overpaying.
- We know they were overpaying for that market, but it could have been their lack of expertise in that market. And India is a very tricky market to get data information. So anyway, that has happened. We don't see it coming down necessarily, but we at least see it flattening off. And in some cases, we're able to negotiate a little bit better rentals than we would have in the past, where we wouldn't even have a chance to negotiate because before you blink, it's gone.

**Prolin Nandu:**

Sure. Thank you for that. The second question, Nissan, would be on gross margins, right? While you said that you have guided for 55%, you did 58%. My question is more in terms of medium-term outlook, let's say, on a 3-year basis. right? Because you mentioned that before COVID you were doing 14% growth, it should be higher now that you have brands and some of these brands have premium.

And also, there should be a lot of localization benefit, not just for your core brands of Metro and Mochi but also for some of these other brands who have started manufacturing in India. So, could you just help us understand from a medium-term perspective? Are there more tailwinds to the gross margins? Or do you see any headwinds coming on the gross margin side?

**Nissan Joseph:**

Yes, we don't see any headwinds on the gross margin side. But you know, I do want to make it clear that, when you look at just that one number, there can be multiple factors that drive it up or down, right? So, one factor that drives it up is if we sell more of our private label products, our own branded products, and a factor that could drive it down is we sold a lot of outside brands.

For example, Foot Locker is almost 100% outside brands. So, the gross margins there would be diluted to the rest of the margins. However, when you look at the profitability, there are other costs we don't pay for. A good example is while my margins are good in Metro products that we make ourselves, we also have incredible investments into design and development and sourcing costs, which I have none when I go with an outside brand.

So, we don't want to get fixated on that number to say that is the end all and be all. What we really want to look through is how does that flow through to the profit line, right? And you know, last quarter, I know people are quite all over about our sales number and so on and so forth. But I think we've missed the fact that on a PBT level, we had a 23% profit, which is, I would say is industry leading. So, these are numbers that we are very proud of, number one.

At the same time, we always continue to look for ways to improve that number. But there's also balance. We want to give our customers affordable value, affordable premium products, right? So, one of the things you're technically doing is you keep increasing your gross margins, of course, you're lowering your input costs, but you're also charging more than you probably should. We feel that's a sweet spot for our consumers to continue to see value in shopping our products.

**Prolin Nandu:**

That's great. Thank you so much. Last question would be on the Walkway, right? Or the value format. Now you talked about, one of the very famous value retailers and it took them many years, right? So, and we are in a way, trying to fine tune that model. So, what is it that is most difficult for you to make a transition from a very successful, you know, Metro and Mochi retailer to a value retailer, right?

And what is it that is taking a lot of time? Is it this whole value quotient? Or can you just help us understand and where are we now? I mean, if you want to rate it out of 10, right, are we at, we have crossed 6 there, where are we now? And how big can that be an opportunity, right? Could it be as big as Mochi and Metro combined? So, some colour on the value format? That's my question.

- Nissan Joseph:** Yes, there are many moving parts to getting retail, right? It is about how fast you can refresh products to keep excitement in there. It's how can you source while getting efficiencies of scale in sourcing, because that leads to lower costs, that leads to lower retail prices, which is what you're trying to accomplish. How do you get throughput from a store? When you're selling low value items, and you need high throughput?
- How do you get throughput out of 1,100 square foot stores? Again, I'm giving you all the questions that we have to get answered well, before we say we have this bottle, right? I think to answer your question on a scale of 1 to 10, I would say 3 years ago, we were at a zero because we didn't even know if we should do this business but today, I'd say we're at a 6.
- Prolin Nandu:** That's great, Nissan. Thanks a lot, and all the very best.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from IKIGAI Asset Management. Please go ahead.
- Rahul Agarwal:** Thank you for the opportunity. Just two questions, one on the balance sheet, one on cash flow. On inventory, I think we had some higher-than-normal stocking to take care of BIS. If you guys can help me, where are we now on inventory levels? And second, on the operating cash flow generation for 9 months and what's the gross cash balance as of December '24, and thoughts on utilizing the extra cash which you have?
- Kaushal Parekh:** So broadly, we have seen improvement in our working capital levels from around 82 days to around 76 days as of December. So, there is an improvement there. We've seen our inventory levels sort of rationalize. In terms of overall cash balance, we have a treasury, which is somewhere close to around INR900 crores to INR1,000 crores.
- In terms of utilization, your last question, we keep evaluating various opportunities. As a policy, you would have seen, since many, many years, we have distributed 25% of the PAT that we earned in the year as dividends. So, there are many avenues that we are evaluating, but you can be rest assured, we will evaluate everything with that ROI lens in mind. Just to make sure that, it doesn't impact the overall ROCs of the company.
- Rahul Agarwal:** Thank you so much, Kaushal. All the best.
- Moderator:** Thank you. The next question is from the line of Saurabh Kundan from Goldman Sachs. Please go ahead.
- Saurabh Kundan:** Thank you for the opportunity again. Still early days, but my question is on North and East Crocs business, any changes you are seeing there in the sense that are you -- is there higher competition from the other operator? I know it's early days, but generally, anything you can share on the North and East Crocs business?
- Nissan Joseph:** Saurabh, to your point, it is early days because we were quite well penetrated there in the North and the East in the malls that were meaningful, right? So now, it'll be a new mall play. It'll be maybe a Tier 2 outlet play for Crocs to start with, but as that grows, it'll continue to be there, be stronger than before.

However, don't forget two things. One is I do get to keep and run and continue to operate all the Crocs stores that we do have in the North and the East, number one. And number two, we have Metro and Mochi's in those markets where we would probably now also be selling Crocs a little differently if we don't have a Crocs store, right?

So, when we have a Crocs store open up on top of a Metro or a Mochi, for example, we downplay the Crocs in a Metro or Mochi because we know it's not going to have the same rate of sales as it used to. So, we try to get another brand in there, we get some more of a different product in there, like a Fitflop or what have you.

But now, there would be no reason for me to downplay it. I would continue to be just as business as usual and see what we can get through our store, our staff service that we offer, our brand reputation of serving customers for many, many decades, right? So, I think it's a play that I don't think will have a significant impact to us in any period of time, though it'll have a growing impact, but it won't be significant.

**Saurabh Kundan:**

Got it. Fair enough. And I know, you would not like to break down the 140, 145 stores that you want to add in FY '26 but is it fair to assume that on a percentage growth basis, if I look at the different banners that you have, I'm talking about percentage growth here. Obviously, the Crocs growth will be lower, right? Or if you could just let us know a ballpark number of Crocs that you can now add, now that you have only South and West or you aspire to add over the next 3, 4 years now?

**Nissan Joseph:**

We have been adding about 20 to 30 Crocs stores a year for the last few years. Obviously, go back before that, we opened quite a few, you would know that Saurabh. But I don't see any reason for that number to be significantly different just because we're limited to the South and the West.

Don't forget, we chose the South and the West when this whole thing happened because we saw lots of white space opportunity gaps that we could go after in the South and the West. And, I believe that while we won't have 50 stores open, we haven't had 50 Crocs stores open in a long time, you know, I don't think that 20 is going to be an unreasonable number.

**Saurabh Kundan:**

20 for the year. Right, right. So, thanks for that, very helpful. Last question from my end. I wanted to understand the Foot Locker agreement a little better. It will really help if you could share, if you have any benefits from the online sales part of the business as well? Is there any economic benefit, any profit that you get from the sales that happen on the Nykaa platform?

**Nissan Joseph:**

Yes. So just so you know, we actually supply the products to the Nykaa platform, right? So, all those products ship out of our DC. And of course, in all fairness, we get paid for our input costs and all the other.

**Kaushal Parekh:**

Not only the warehousing margin.

**Nissan Joseph:**

Margin would be applicable. So, there is a small margin in there. But it's not that we benefit vastly from it. But we obviously benefit vastly from the store sales.

**Saurabh Kundan:**

Sure. You get the warehousing margins. Okay, that makes sense. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, that was the last question for today's conference call. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.