GO COLORS!
GO FASHION (INDIA) LIMITED

August 06, 2025

BSE Limited Scrip Code: **543401**	**National Stock Exchange of India Ltd.** Trading Symbol: **GOCOLORS**

Dear Sir / Madam,

Subject: Transcript of Earnings call – Q1 FY 26

We hereby enclose the transcript of earnings call for the financial results for the quarter ended 30th June, 2025.

This is for your information and records.

Thanking You,
For **Go Fashion (India) Limited**

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"Go Fashion (India) Limited

Q1 FY '26 Earnings Conference Call"

August 01, 2025

MANAGEMENT:

1. **Mr. Gautam Saraogi** – Promoter and Chief Executive Officer – Go Fashion (India) Limited

2. **Mr. R. Mohan** – Chief Financial Officer– Go Fashion (India) Limited

Moderator: Ladies and gentlemen, good day, and welcome to the Go Fashion (India) Limited Q1 FY '26 Earnings Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity 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. Gautam Saraogi, Promoter and CEO of Go Fashion (India) Limited. Thank you, and over to you, sir.

Gautam Saraogi: Good evening, and a warm welcome to everyone present at the call. Along with me, I have Mr. R. Mohan, our Chief Financial Officer; and SGA, our Investor Relations Advisors. I hope you have all received the investor deck by now.

For those who have not, you can view them on the stock exchange and the company website. In Q1 FY '26, we reported revenues of INR223 crores, broadly stable on a Y-o-Y basis. The quarter witnessed some temporary headwinds in our LFS channel and a few key partner stores and supply chain disruptions arising from Bangladesh route blockade.

Despite this, we are encouraged by a strong recovery in the later part of -- and particularly during the EOSS, which reflects improving customer traction across our network. We continue to see improvement in our gross margins, which stood at 63%, driven by further easing of raw material costs and a favorable product mix.

Our ASP stood at INR805 as of June 2025, driven by continued shift towards value-added products. This transformation of a more premium offering highlights our evolution into a comprehensive bottom wear brand with increasing relevance across multiple product categories.

We at Go Colors remain firmly committed to a strong unit economics and maintaining a healthy balance sheet. We continue to deliver best-in-class unit economics, reflecting in our full price sell-through ratio of more than 97%. Our inventory days stood at 98 days, at which we are going to further look to optimize.

Our strategy continues to center on positioning ourselves as a go-to-destination of all our women's bottom wear needs by offering a wide range of products at accessible price points and catering to a diverse customer base. Moving to the operational metrics for Q1 FY '26. Moving on to store additions. In Q1 FY '26, we added 27 new stores, taking our store total to 803 stores. We remain on track to achieving a target of 120 net additions for the full year.

During Q1 FY '26, SSSG declined by 2%, primarily due to softer footfalls. Additionally, temporary supply chain disruptions from Bangladesh route led to a limited availability of the selected SKUs across some stores. Our advertising spends for the quarter stood at 2.1%.

Moving to new business updates. We are in the process of rolling out new categories, including women's topwear and select menswear across 15 to 20 stores. The initial launch will begin in the first week of August with a few stores and then the rollout will happen over the coming months.

Lastly, on our new business update, I'm also happy to share that our international foray has been well received. Our first store in Dubai is witnessing positive initial traction and customer response. Way forward, our first step would be to achieve low single-digit SSSG and improve store level productivity and throughput.

Second, we would grow our footprint by increasing the number of stores in our portfolio. FY '26 onwards, we aspire to open 120 to 130 stores plus net additions going forward, given the lower store closure rates this year.

Lastly, our focus would be to maintain a strong check on inventory levels, leading to a healthy balance sheet and improving ROCE and efficiency of the company. We remain confident in the strength of India's consumption story and expect to see revival in demand in the upcoming quarters, driven by a successful upcoming festive season.

As the environment improves, we are well positioned to capitalize on the recovery through our strong brand, disciplined execution and expanding footprint.

With this, I would like to hand over the call to our CFO, Mr. R. Mohan, for the update on Q1 FY '26 results. Thank you.

R. Mohan: Thank you, Gautam, and good evening, everyone. I would now like to share the financial highlights for Q1 FY '26. Our revenues for the quarter stood at INR223 crores. Gross profit stood at INR140 crores with a GP margin of 63% for the quarter. Our EBITDA for the quarter stood at INR69 crores with the EBITDA margin stood at 30.8%.

Profit after tax for the quarter stood at INR22 crores with a PAT margin of 10%. ROCE and ROE, excluding Ind AS impact as on June '25 stood at 17.3% and 13.5%, respectively. Cash and cash equivalents, including mutual funds and fixed deposits stood at INR247 crores as on 30th June 2025.

With this, we'll now open the floor for question-and-answer.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Sameer Gupta from India Infoline.

Sameer Gupta: Firstly, on the store closures. Now last quarter, the guidance was that this year will be very low in terms of store closures, probably 4 to 5 maximum. This quarter itself has witnessed 4 store closures. So I understand you've reiterated the store guidance, but any color on overall gross additions? And I mean, is there a risk that this year also will be underwhelming in terms of store additions given the environment we have started the the year with?

Gautam Saraogi: See, thank you, Sameer. Thank you for the question. See, these 4 stores, out of these 4 stores, one was an airport store and that airport store basically went under renovation. So our store got closed because of that. And the other second location, the location where our store was that mall itself was doing a shutdown and transformation to a commercial property.

So we lost out space because of that. The other 2 stores which have closed have closed in the normal course of business. But 2 stores have closed because of temporary shutdown in the facility where we were present, one being an airport store and one being the other mall.

As far as guidance is concerned, see, I think, look, I think our business development team also is well equipped, and I think we see a good number of stores additions in the coming quarters. So positively, 120-plus, 130-plus stores, we should be able to deliver in this fiscal year.

Sameer Gupta: Got it. Second is on the LFS channel. There's a decline of 13% this quarter, and this is despite healthy additions in terms of outlets to LFS. I think there's a 12%, 13% growth on a Y-o-Y basis. So any color on this decline? And how should we basically look at this channel going forward? Is there a full year number you have in mind and quarterly vagaries can continue?

Gautam Saraogi: See, so Sameer, I think, look, difficult to give a guidance on LFS right now for the next quarter. But see, in April and May footfalls were quite soft across retail. I mean, see June onwards, definitely, the industry has seen a recovery in demand, but April and May was quite soft due to many reasons. One, Eid was -- had actually come in March and not in April. In May, there were some geopolitical reasons also, which affected certain store sales.

So I think LFS also got impacted because of that. But we are quite optimistic that in the coming quarters, the LFS business should recover. I think this has been more of a onetime experience. I think from the next quarter onwards, I think the business with LFS should stabilize.

Sameer Gupta: See, if we even look at it a few quarters back, it has always been a very volatile channel for you. Last quarter before this was 29% growth and a quarter before that was 3%. So any particular reason why it has been such up and down? I believe Reliance is the big customer here, and they have gone through some consolidation phase. Is that really affecting the business?

Gautam Saraogi: Well, I think -- see, also one of the reasons for volatile growth sometimes also happens because of the sudden additions of stores we also do with our LFS partners. So in a particular quarter or in a particular window period, if you add more number of stores, the revenue obviously will show higher.

So that is obviously one reason. Second reason, I think last year, same quarter, the EOSS was a lot earlier in one of our key LFS partners. And that's why when we compare this Q1 with last year Q1, there is a decrease also showing.

So I think the volatility is also to do with the new store additions what we have done because it gets booked in revenues. And obviously, there are footfall issues as well. And yes, in some of our LFS partners, we have also seen a lot of consolidation at their level as well in terms of number of stores.

They've also changed format and moved it from one format to the other, and we've lost out space. So I think over the last 1 year, we have seen certain consolidation with our key LFS partners, which has also resulted in this volatility.

Sameer Gupta: Okay. Got it. So I mean, I don't see any reason why this should not continue to be volatile in future also because all these factors are going to stay, right?

Gautam Saraogi: Well, I think the volatility should be less. I'm quite optimistic that the coming quarters in the LFS business should be good. So hopefully, fingers crossed, I think we should be able to deliver good LFS numbers over the next few quarters.

Moderator: The next question is from the line of Avinash Karumanchi from Motilal Oswal Financial Services.

Avinash Karumanchi: So in this quarter, employee cost has seen a sharp increase by 19%. What would be the reason behind that?

Gautam Saraogi: So 2 reasons, Avinash. One was obviously because we have added stores as well in Q1 and the earlier quarters. So one is because of store additions, the number of employees have gone up. And secondly, our annual increments, what we give in our company usually happens in April. So the annual increments also is another reason for the employee cost to go up.

So 2 reasons. One is obviously addition of new stores and new employees across EBO and LFS and as well as increments. Now one of the reasons why the percentage of revenue is showing high is because our revenue has not grown. So that's also one of the reasons why employee cost as a percentage is high.

So I think it's 3 factors. One is new employee additions across new stores in EBO, LFS. Second, increments. The third is revenue being flattish.

Avinash Karumanchi: Okay. So is it safe to assume like from -- on this quarterly basis, whatever the new stores, that will be the only incremental employee cost growth or it's like INR40 crores to INR50 crores is the range quarterly run rate that you have?

Gautam Saraogi: As an absolute number, as an absolute number of employee costs, whatever employee cost would be increased will be basically the new stores what we add.

Avinash Karumanchi: Okay. That's fair. And can you dwell more on this Bangladesh issue? So are you still continuing to see because close to 35% to 40% of your fabric imports will be coming from Bangladesh?

Gautam Saraogi: Well, it's not so high. But see, during Q1, a lot of our shipments got delayed. So usually what used to happen, many of our sizes are made in Bangladesh, and it used to come by road. And as you must be aware, the government of India had put a restriction on road transport and all shipments had to be routed through the sea route.

Now when we were calling in shipments from the sea route and because of limited availability of vessels, goods came in very late. So many of our SKUs, which do well in Q1 actually reached the store level pretty late. It reached probably middle of June and that impacted our sales a little bit.

So moving forward, I think some sizes, we have moved production to India and which will be rectified by winter '26. So I think some of the size we moved here. And the other size, we have ensured that the shipment time lines are met so that this delay does not happen again.

Avinash Karumanchi: Can you quantify like what would be the impact because of this issue on the growth level?

Gautam Saraogi: Very hard to quantify, Avinash. It's little difficult to quantify, but I'm guessing –there would be a little impact. I wouldn't say that our revenue growth has got hampered only because of Bangladesh. I wouldn't say that, but I'm sure it would have had a small impact.

Avinash Karumanchi: Okay. And the last one is on the newer categories that you're going to introduce like the top wear, bottom wear. I know that it's too early to speak of that. But have you finalized the strategy like what you're going to do or is it going to organic or inorganic routes? How is it going to be?

Gautam Saraogi: See, I think, look, we are launching our first pilot store by end of first week of August or maybe over the next 7, 8 days, our first pilot store will open in Chennai. And our second pilot store also will open in Chennai. So I think the first phase anyway, we have planned to open 10 stores to 15 stores of pilot stores. So over the next few months, once these stores open, then we will be able to throw more color of how these new categories are performing.

Avinash Karumanchi: Okay. When you speak of store openings, like earlier in last quarter, you said like you'll be repurposing the existing like slightly higher sized stores to this one? Is that the case or are you going to open brand new stores...

Gautam Saraogi: We are basically using our same stores, which has extra space, and we are going to start using the additional space, which was unutilized earlier. So we are not -- as such, we are not doing any new signings. There may be out of the 10, maybe there will be 1 store which is a new signing, but 9 of them is our existing stores, which we are extending our space.

Avinash Karumanchi: Sure, sir. And this topwear this category extension, you're planning only to organic, you aren't looking for -- because there's cash sitting on both?

Gautam Saraogi: See, no. I mean, look, ideally, look, anything you do new in fashion and retail, right, you have to -- we have to be very, very careful because inventory is a very big risk in retail business, especially in apparel business, right? So I think, look, our first idea and objective is to get this pilot right in the 10 to 15 stores.

And once we have that experience, then only we'll be able to decide how to take this pilot forward. So as far as this new pilot is concerned, we are keeping ourselves very focused only to these 10 and 15 stores.

Moderator: The next question is from the line of Harsh Shah from Bandhan AMC.

Harsh Shah: I mean trying to understand this thing you said that some part of our revenue was impacted because of this supply chain disruption. And at the same time, we see that our inventory days have gone up, right?

So ideally, basically, revenue would be basically disrupted because of stock outs, I would assume, right, because you would not be able to supply the relevant article to the store, right, the EBO revenue and which would have actually led to lower inventory days, right? So how do I kind of tally these 2 data points with your comments?

Gautam Saraogi: No, no, Harsh, yes, I understand your question. See, basically, what has happened is these goods which had come in, have come in June itself and inwarded in June. So it's not that the goods from Bangladesh did not hit the books in quarter 1. It got inwarded in probably a little later in quarter 1, and it is showing in the inventory of the balance sheet.

So from -- and from an inventory days perspective, see, we -- our endeavor is obviously to maintain inventory days around 90 days. It is at around 98 days, which will stabilize in the coming quarters. So I think from an inventory perspective, we have maintained a lot of discipline.

And see, this 98 days of inventory also includes the inventory which we have done for the pilot. So if you actually see our bottom wear inventory, it has been getting optimized over a period of time.

Harsh Shah: Got it. No. See, my question was not on inventory days being high. My question was just to link these 2 statements, right?

Gautam Saraogi: Yes. So Harsh, from the sales perspective, it's very difficult to quantify how much impact that the supply chain issues have. So I mean, it's very difficult to quantify it because see once an inventory does not hit a store, it's very difficult to calculate loss of sale. So we are guesstimating that it would have had a small impact on the revenue.

Harsh Shah: Okay. Got it. And these new stores, in terms of size, right, store size, are we opening slightly bigger stores now because obviously...

Gautam Saraogi: Well, see, I'll tell you what we're doing. See, our average bottom wear store is about 400, 500 square feet. This store, the new concept what we are doing for the women's wear and small menswear format, I think, look, the store range -- the store sizes will range anywhere between 1,500 square feet to 1,900 square feet. And because luckily, from our network of stores, we had many stores which were more than 1,500, we were able to accommodate this.

Harsh Shah: How many of the stores were already 1500 plus?

Gautam Saraogi: Very less. I mean, we would have had probably had about 20 out of our 800 store network, maybe about 25, 30 stores we would have which are greater than 1,500. In those 20, 25 stores, we have selected only those stores which are performing very well, probably a good category stores and those stores we are doing the pilot.

Harsh Shah: And incrementally, these 30 stores, what will be the store size, I mean, which you opened this quarter?

Gautam Saraogi: No, no. See, the stores what we are going to be opening new stores, what we are going to be opening are only bottom wear stores. See, we are not going to be opening any new stores as far as the pilot is concerned. See, our 10 stores are majorly our existing stores and our pilot is very much restricted only to 10 or 15 stores, which I mentioned. As far as new stores, what we are going to be opening through the year, the 120, 130 stores guidance what I've given is purely related to our bottom wear business.

Harsh Shah: That 400, 500 ballpark range it will be...

Gautam Saraogi: Yes, 400, 500 square feet is going to be the average size, absolutely. Because till we don't have proof of concept, we are not in a position to expand anything on the pilot.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: So again, Gautam, so realizations have inched up like 4% this quarter, right? So the volume decline at the same-store level is even lower, right, at 5%, 6%. So -- and this has been a trend not only this quarter, there may be some disruption, but at least in the foreseeable period that has gone behind, we have seen such kind of a decline.

So I wanted to understand again what steps are we taking to arrest this? And you have mentioned that premium products are doing better. So are we sort of planning to change the assortment at stores? So I want to sort of hear your thoughts around that?

Gautam Saraogi: See I think look, we have a very strong assortment in place. And I think, look, product innovation and product placement has been our strength, not from today, even earlier times, Devanshu. So I think we are not dramatically changing any assortment. We are just strengthening our product portfolio by coming out with new colors, by coming out with new products in the pants and trousers category.

So even though sales have been low and it has been a tough quarter, we are not dramatically changing anything in our product strategy. I think we have a good set of products coming in over Q2 and Q3. We have at least 6 to 7 new products for bottom wear coming in, which have been in the pipeline for the last 6 months.

And I think by the launch of these few products, I think we are looking at a good quarter 2 and a quarter 3 ahead. So I think from a product portfolio perspective, we have really strengthened our team and our portfolio. And we are very bullish that we are looking for a good assortment over the next few months, starting from September end.

Devanshu Bansal: Understood. Gautam, can you talk a bit about these products as in which all are these in existing categories like leggings, pants...

Gautam Saraogi: Yes, sure. See I think we are strengthening our pants and trousers category. I think this category has done fairly very well for us. And if you see that is the future of bottomwear. So I think the 5, 6 products we are introducing are more in the lines of pants and trousers only.

Devanshu Bansal: Pants and trousers. And the range would be around INR1,000, INR1,200 or these are only higher...

Gautam Saraogi: Yes. No, we are trying to keep it very sharply priced. So I think it will range between INR1,000 and INR1,200.

Devanshu Bansal: Okay. Understood. And sir, we did invest in some leadership team in our MBO channel, and that is showing some level of traction in recent quarters. So what kind of scale are we targeting in the near to medium-term? If you could sort of share some insights there.

Gautam Saraogi: See, very early days right now, Devanshu. So I think, look, obviously, the growth in MBO is showing very high because the base is small, right? And I think, look, we don't have any large -- we are not having very large growth expectations in the channel.

Yes, the channel will do very well. Like I said, that channel for us is more of a marketing channel, like how LFS used to be, where we are able to acquire customers who will eventually shop in EBO.

So for us, we are not going to go very gung-hoon MBO and try to make it like a very, very big channel. For us, it's more of a product placement channel for us to acquire new customers. So I think we are going to let it grow at a healthy rate. We are not going to try scaling that channel too soon, too fast. But early days, I think the traction has been good.

I think we've had decent growth. Obviously, the base has been small. So we'll have to wait and watch how this channel evolves because we as a company strategy also, I don't want to place our product in every MBO out there. We want to place it in those select large MBOs where our profile of customer is there and is also likely to shop in the EBO post that.

Devanshu Bansal: Fair enough. And sir, lastly, from my end, from a network expansion perspective, we are seeing that major expansion for you, if we see last 12 months has happened in Tier 2, 3 towns, right? So maybe on your PPT. So what is driving higher focus on these towns and cities for us?

And from LFS perspective also, that store count has seen a major increase which are the major players that we have added here and the expectations of revenue per LFS is broadly similar in these stores as well?

Gautam Saraogi: See, I think, look, I think as an expansion strategy, right, we have always continued growing very well in Tier 1. And as we have grown our network, we have started touching more Tier 2, Tier 3 now. I think initial responses have been very positive. And we continue to grow in metros. I think Tier 1 and metros have always done very well for us, and we will continue growing there as opportunity increases.

But a lot of our focus now is also to have horizontal growth and adding more new towns and adding more new markets. So I think we've done that in LFS also and in our EBO network also. And the initial response has been very encouraging.

Devanshu Bansal: So any partners that you have added...

Gautam Saraogi: No, we have grown deeper with our existing partners. See in Pantaloons, we were underpenetrated. We've added more stores in Pantaloons. In Reliance also, we were, to a certain extent, underpenetrated where we've added to certain pockets of stores. So I think in our existing partners itself, we've had good expansion over the last 3, 4 months.

Devanshu Bansal: Okay. And there were some challenges...

Moderator: Devanshu, I'm sorry to interrupt.

Devanshu Bansal: No issues.

Gautam Saraogi: No, Devanshu, please go ahead. Please finish your question. Go ahead.

Devanshu Bansal: Yes. Sorry, I was checking from Reliance, which is our largest partner. So there were -- in the interim, there were some challenges. So are those challenges behind us?

Gautam Saraogi: See, well, I think it's behind us. I think majority of the consolidation, which was happening with Reliance, I think it's done, I'm guessing so. And I think in the coming quarters, the volatility, like I mentioned to even Sameer I mentioned, the volatility should be less. I think over the next few quarters, the business in LFS should do well.

Moderator: The next question is from the line of Rahul Agarwal from Ikigai Asset.

Rahul Agarwal: Two questions. Firstly, just to start with on SSSG. Now it's been some time a lot of Indian retail brands are going through this slowdown into SSSG. Obviously, they are positioned differently for their own categories. But as -- if I have to consolidate everything, it looks like we have seen some slowdown, of course, in terms of growth.

Now if I look at same cluster growth, now that has also come down to very low single-digits. Now other retailers do look back internally to figure out how can we ramp up SSSG, right? So there are a lot of things which are working on product creating customer delight, maybe something on the marketing side, on the channel side and stuff like that.

Most of our reconfiguration of stores is already done, which I think that was more of an internal decision purely because this environment gives us time to do that and focus on our productive stores. Now going forward, is there anything more we can do?

Because my sense is that if we add 120, 130 stores this year, that would, of course, entail some cash outflow that will -- for temporary periods will have impact on consol P&Ls because new stores will have higher throughputs, but they will have higher cost to start with.

And then maybe if this environment doesn't really improve, we all hope that festive season brings more positives here. But in case it doesn't improve, it will add a lot of pressure on both P&L accounting profitability as well as both on cash flows.

So anything internal you would like to highlight where we can actually also put some more time there, maybe to increase variety or whatever else it is to figure out -- first figure out SSSGs and maybe SCSG, and then maybe just go a bit slower on new additions because my sense is even lease rentals, the retailers have been talking about not materially declining. Some pockets, yes, but some pockets, no.

I'm sure that Tier 2, Tier 3 cities won't have that kind of inflation, but I'm sure that also adds to cost, right? Sorry for the long question, but the question is...

Gautam Saraogi: No, no, I completely hear you and you made a very, very valid point because P&L, unit economics, balance sheet, cash flow are very, very important line items. And we also, as a company, have always endeavored to grow profitably with the maintenance of margins. See, I think, look, as senior management, we are trying all levers to ensure that we reach a mid-single-digit type of SSSG over the next few quarters.

We are turning every stone. We are putting an effort in every aspect to make that happen. So I think that is something we, as management will achieve, and we are very positive that we will do it over the next few quarters.

Now as far as expansion is concerned, your point is very well right that in a slow environment, expansion can be a sticky subject. I think, look, here, the idea is expansion with caution. And we've always expanded very carefully where we know that where our format of store will work.

And if you see in the recent store openings also and the store openings, what is going to be coming in the near future, we are focusing to go into more virgin markets where we are not present. So we are meeting a new customer base, and that will give us additional revenue.

So I think one aspect is in our existing current markets to drive SSSG and enter new markets, cautiously select the right real estate so that it does not have an impact on our P&L. So I think these are 2 separate things which we are approaching with 2 different type of strategies. One caution as far as expansion is concerned and the other is trying every lever possible to ensure that we are able to get SSSG.

Now whether it is through product evolution, whether it is to explore interesting marketing opportunities, we as senior management will do every lever to ensure that we get to that number.

Rahul Agarwal: Got it. Like is it like any new competition you are seeing in your category purely from a like-to-like product perspective? Any thoughts on that?

Gautam Saraogi: See, honestly, from a competition perspective, there is no direct competition. There's no real development as far as direct competition. Yes, there are some few direct competitors like I mentioned in my earlier calls as well. But yes, there is a lot of indirect competition which is happening, not only for bottom wear, but even for top wear as well. See today, there are many entrants in retail, many brands who have come into retail in menswear and women's wear who are having extensive bottom wear and top wear collection.

And I think new entrants of brands in the market have not impacted only us, but even the entire retail ecosystem. So I think competition more from a wider subjective perspective, yes, there are new entrants, but not for dedicated bottom wear alone.

Rahul Agarwal: Got it. So the takeaway essentially is that there is no stone which is unturned on getting this SSSG back, and intentionally, we'll try in terms of just whatever internally we can do apart from the external markets, we'll do whatever they want. But that is taken care of, right?

Gautam Saraogi: I would like to reemphasize on one thing, we will try to recover SSSG and we will recover SSSG. And also whatever expansion we do, we will ensure that the unit economics of the business as far as cash flow, balance sheet, EBITDA, all those unit economics and hygiene factors are well maintained.

Rahul Agarwal: Perfect. Got it. Moving to the second question on the LFS side, 2,600 outlets. Like just from a potential perspective, my sense is LFS 2,600 should largely cover most of the LFS network available for Go Fashion to cover. Is that understanding right? Or do you think there is enough...

Gautam Saraogi: No. See, I think, look, as of now, if I look at my current channel partners, I think we are very deeply penetrated with all our channel partners. Maybe a few stores here and there might be missing, but we are majorly covered. Future LFS expansion is going to happen like how the LFS partners are going to be also adding stores. I think like the likes of Reliance, Pantaloons, Shoppers, Lifestyle are continuing to expand.

And as and when they keep expanding, our network of stores also with them will increase. As far as adding new partners are concerned, we have more or less added all LFS partners who are keeping external brands, except Max. Max is the only partner where they are having external brands, but the Go Colors is not present.

Apart from Max, we are present in Lifestyle, we are present in Shoppers, we are present in Pantaloons, Reliance. I think from that perspective, we have covered all channel partners. So as and when how they keep increasing their network of stores, we will also keep increasing our network with them.

Rahul Agarwal: Right. Got it. So going forward, this 2,600 and this volatility in terms of the store additions will be more linear in line with how the LFS...

Gautam Saraogi: Yes, more linear and more stable. Yes, more stable.

Rahul Agarwal: Okay. Got it. And just one last question on LFS. I mean, I'm sure the current network is not like fully utilized in terms of their own throughputs. Seasonal weaknesses I understand. But let's say, environment for the 12 months is normal. This INR200 crores business from LFS from the current network, how much can it peak at? That's the question.

Gautam Saraogi: Very hard to estimate right now, Rahul, to give guidance on how much LFS business will grow is very difficult. Look, our company endeavor as a company is always to grow positively across all our channels. But right now, for me to give a guidance on LFS business would be a little tough. Maybe end of quarter 2, once we know how quarter 2 has done as far as LFS is concerned, I'll be in a better position to give a guidance maybe at the end of quarter 2.

Rahul Agarwal: Actually, I was asking the potential, not the guidance, like in terms of if I have to utilize all the 2,600 LFS to its fullest, what could be the peak? When it happens, doesn't matter, but just wanted to know the potential?

Gautam Saraogi: See if we have probably added 200-plus stores in quarter 1, which is a 10% increase on our current LFS network. So it should result in the short-term of at least 7% to 8% increase in revenue of our LFS business because we've added 10% of our LFS network. So if I -- offhand, if I have to tell you what it would peak at, currently, whatever number is achieving, it should at least give 8%, 9% more sales because we've added 200-plus stores.

Rahul Agarwal: Got it. But that basically means that the existing network prior to 1Q is fully utilized, like whatever INR200 crores sales we achieve...

Gautam Saraogi: Yes, of course, there will be an SSSG element in that as well in your existing network. That is very hard to estimate right now. But from just from a network expansion perspective because you're asking what could be the peak sales based on the current number because we've added 200 stores, that 200 stores, which is 10% increase in network should bring in 8% to 10% of increase in revenue.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Securities.

Prerna Jhunjhunwala: So just wanted to understand, you mentioned that there were softer footfalls during the quarter. Any particular reason that you could attribute this and how much impact it would be having? Like what kind of footfall any conversion rate?

Gautam Saraogi: Well, so Prerna, see, April and May had softer footfalls because Eid this time came early. So Eid -- the Eid footfalls actually, the benefit came in March and April was little subdued because of that. And May -- some part of May got impacted also because of some geopolitical reasons in certain regions. So I think April and May were quite soft. Also, there was a slowdown in retail, which has been continuing.

In June onwards, I'm sure you also heard other retailers also saying that there has been a recovery June onwards. And we've also seen that recovery. So I think April and May were a little subdued because of some external factors.

Prerna Jhunjhunwala: Okay. And how do we see the store openings that you mentioned that you are opening in new virgin markets from 120 stores that you are planning to open this year, how much would be in new virgin markets? And how much would be in the existing?

Gautam Saraogi: Well, our endeavor is to do at least 60% to 70% of our store openings in new virgin markets. See, what happens is even our existing market, right, new-new opportunities come up. So we are very committed to also adding stores in our existing markets as well. But I think our endeavor and try would be to do at least 60%, 70% openings in new Tier 2, Tier 3 virgin markets.

Prerna Jhunjhunwala: Okay. Understood. And sir, how much of your sourcing will be from Bangladesh after shifting all the SKUs to India, I mean, major SKUs?

Gautam Saraogi: Very little. I mean, to begin with, it was not so much. There were certain important styles which we were doing from there. I think we are moving some of our styles to India because we don't know how India, Bangladesh exports will be maybe after a few quarters, we don't know. So we don't want to take the risk.

So we are moving some of our styles here. So I think after moving some of our styles here, our exposure there would be very limited. Difficult to give a percentage number. I'll have to arrive at the number, and I'll probably share it offline with everyone, but I'm not -- but it will be -- the exposure will be very limited.

Prerna Jhunjhunwala: It will be very grateful if you share it at any point in time. If you just -- I understand the...

Gautam Saraogi: Yes, definitely. I'm not having it handy. Apologies for that. I'll definitely share it -- I'll share it offline with everyone.

Prerna Jhunjhunwala: Okay. And sir, if I want to understand the SSSG degrowth of like 2% that you have achieved in this quarter, will it also be an impact of Eid shifting? I mean, the way you mentioned it footfalls were softer and it will be a one-off event rather than calling it a softer quarter?

Gautam Saraogi: See, I think, look, it's very hard to put a number to how much Eid has impacted our SSSG. It's very difficult to do that. I think Eid was one of the factors. Even obviously, our supply chain goods coming in late was a small factor. So I think the slowdown what we have faced is multiple reasons.

One, of course, the market also -- retail market also being a little slow. So it's across all factors. So it's very difficult to say how much Eid would have had an impact on our SSSG. Definitely, our April SSSG was deeply impacted because of Eid moving into March.

Prerna Jhunjhunwala: Okay. Understood. And sir, we saw some pledge-related movement in the month of July. Could you help us understand what will be the current pledge position for the promoters?

Gautam Saraogi: See, yes. Currently, I'll just tell you, just give me a second. See, currently, the number of see, we had reduced about 9 lakh to 9.5 lakh shares we had released the pledge in the month of July, July end, we just released. So now our pending shares which are pledged are about 48 lakh to 49 lakh shares, if I'm not wrong, which I think -- which on our holding would be 16%, 17% and on the cap table would be about 8%.

Prerna Jhunjhunwala: Okay. So approximately 2% release on total capital…

Gautam Saraogi: 200 basis points is what we have released in July end.

Moderator: The next question is from the line of Gaurav Jogani from JM Financial.

Gaurav Jogani: My first question again is with regards to the SSSG. Now even if we total up the Q4 and Q1 numbers to weigh out the volatility of the LFS and even to do away with the volatility of the Eid preponing, still the numbers look weak as during the quarter -- the previous quarter's base is also weak.

And if you can dissect in terms of the volume growth also because the volume growth on a per store EBO basis seems to be declining by around 7%, 8% there too. So apart from this slowdown, what according to you is really impacting the growth?

Gautam Saraogi: See, I think, look, footfalls, Gaurav footfalls has definitely been weak over Q1. I would not disagree on that. And the footfalls, obviously, the market sentiment to begin with was weak. And obviously, there are other things which have come in between has made it weaker. The positive thing is that June onwards, the overall retail industry has seen an uptick in demand.

And hopefully, I think this for the industry should continue. When I look at my SSSG, yes, we are at minus 2%. But one thing what we noticed in our SSSG is that even our oldest stores, which is the FY '15 or FY '16 stores, they are still at a minus 4% or minus 5%.

Usually, what happens in a minus 2% kind of situation is that your oldest FY '15 stores or FY '14 stores are probably degrowing at 20%, which is not the case in our situation. Our old store also is probably at -- only at minus 4% or minus 5%.

So when we see a recovery in demand, it will be across the stores of all financial years. So hopefully, in the coming quarters, like I was also mentioning to Rahul, right, we have -- senior management are very motivated to bring back this SSSG to mid-single-digit. And I think we should be able to achieve it in the coming quarters.

Gaurav Jogani: Just to follow up here. Even in July, do you see this demand recovery sustaining?

Gautam Saraogi: No, July has been weak. So we'll have to wait and watch. But anyways, we don't track month-on-month SSSG because it becomes misleading because sometimes the number of weekends also, there are a mismatch. I think the best way to see SSSG is through 3 months. So right now, for me to comment on July's performance will be very premature.

Gaurav Jogani: Sure. And on the LFS part, last time in Q4, you did alluded on an annualized basis, you are looking to add only 100-odd LFS stores. Now in Q1 alone, we are seeing a sharp, I think, around 350-odd to 400-odd store additions itself...

Gautam Saraogi: 200 stores Gaurav. See, well, look, we got the right opportunity from our existing channel partners, and we are very thankful to them. So we got the right opportunity, and it was also aligning with those cities where we wanted to also be part of. And luckily, we got those outlets and we've added in Q1.

In Q2 and Q3, I don't foresee too many LFS additions because we've just added a good number of stores. So we are pretty decently penetrated with our existing partners. So I think over Q2 and Q3, the LFS additions would be more stable.

Gaurav Jogani: Okay. And Gautam, lastly, on the gross margin bit. We have seen decent gross margin expansion. So how should we look at the margin -- gross margin levels on an annualized basis and going ahead?

Gautam Saraogi: See, I think it will be in that range of 62% to 63%, Gaurav. I think 63% is what we have delivered in Q1. And I think we will be -- we will be in that range between 62% to 63% or 62% to 63.5%, we will be in that range.

Moderator: The next question is from the line of Vatsal Mody from Arisaig Partners.

Vatsal Mody: Just wanted to understand on the LFS side of things. There are a few structural issues and some transient issues. Would it be possible for you to tell us from a June, July perspective, have the numbers become positive or are they still in negative territory? The context here is, obviously, for the quarter, based on our numbers, it seems like LFS is a double-digits?

Gautam Saraogi: I think, Vatsal, see from July, we haven't got the final monthly numbers from LFS yet. But from a June perspective, LFS is marginally negative.

Vatsal Mody: Got it. So improvement, but still not positive…

Gautam Saraogi: Not fully there yet.

Vatsal Mody: And in your mind, this is primarily to do with the broader footfalls issue? Or is there anything else that...

Gautam Saraogi: No, it is broader footfall. It is also some consolidation, which has happened also among our LFS partners. So I think it's a combination of both.

Vatsal Mody: Understood. And the last question is in terms of the seasonality, like, for instance, Eid was in the previous quarter. In the next couple of quarters, is there any change like this that you expect Diwali or Ganesh Chaturthi or whatever might be anything significant that could affect the numbers?

Gautam Saraogi: Not to my knowledge. I don't think so, but I'll have to just look at the calendar and reconfirm. But to my knowledge, I think it's pretty much in line what was last year.

Moderator: The next question is from the line of Rajiv Bharati from Nuvama.

Rajiv Bharati: So I have just one question. With regard to market share because our volumes have been consistently going down. By channel, do we have any -- I mean, any new information on are we losing market share because the data which is present on the slide is dated, it seems. But any context in terms of shelf share, market share in various formats EBOs?

Gautam Saraogi: We don't have it channel-wise. See, and also, I know our data, what we present in the investor deck is outdated. In fact, we are doing a new -- our market study we're doing with Technopak, which should be ready in the next couple of weeks. We'll be probably presenting that data in the next investor deck. But I think from a market share perspective, I don't think we've lost market share.

I don't think we've gained market share. But I'll be able to -- we'll be able to know a clearer picture when the study is over. So maybe next quarter in the investor deck also, we'll put it, and

I'll be able to clarify this question next quarter. But from what as a senior management, we look at, I don't think we have lost market share.

Rajiv Bharati: And in terms of, let's say, articles per bill, has that number changed materially over...

Gautam Saraogi: That has actually stayed very steady. So our units per transaction, it's been 2.2, 2.3. And when I compare it on a Y-o-Y basis, it's been absolutely the same.

Rajiv Bharati: And you said the volume...

Gautam Saraogi: Go ahead. Sorry go ahead.

Rajiv Bharati: No, no. You please go ahead.

Gautam Saraogi: No. I was saying, see, basically, the units per transaction has remained the same. So suppose on an SSSG level, we have been at minus 5%, right? So our number of bill cuts also would be down 5%. So it's a clear result of number of footfalls.

The customer who is walking into a Go Colors store is probably buying the -- is actually buying the same quantity on an average what it was probably last year. So I think the SSSG volume SSSG, which is minus 5%, the bill cuts also would be minus 5%.

Rajiv Bharati: Got it. And does it show that the newer stores, actually, the article per store is actually materially lower than, let's say, older stores? I mean, the difference between the 2…

Gautam Saraogi: See, I'll tell you one thing is sure that -- and this is probably for the entire industry, the new stores in a subdued environment tends to underperform. And that is something which we have seen across the industry because if a historical store starts struggling during subdued environment, a new store is fairly new, right, without any history.

A new store also tends to have the same subdued performance. So I think as the -- now since we've heard that retail has started picking up, maybe in the coming quarters, we'll see better performance from the newer stores as well.

Rajiv Bharati: Why I'm saying this is because if I do article sold in a new store versus old store, I mean there's some crude math. It used to be close to 69%, 70% earlier, and now it is 50%. So new stores is materially...

Gautam Saraogi: This is what -- sorry this...

Rajiv Bharati: Articles sold per store, number of articles based on the volume...

Gautam Saraogi: No, no, Rajiv, the new store versus old store contribution, I'll come back with that exact data. I mean, see, what happens is you would have probably divided it by the closing number of stores. Sometimes the store would have opened last minute and you would have divided as a denominator. So I'll come back to you on that data that how much is the new store contribution and old store contribution this year versus historical year.

Moderator: Thank you. That was the last question for the day. I now hand the conference over to the management for closing comments.

Gautam Saraogi: Yes. I would like to thank everyone for being part of this call. We hope we've answered your questions. If you need more information, please feel free to contact us or Mr. Deven Dhruva from SGA, our Investor Relations Advisors. Thank you.

Moderator: On behalf of Go Fashion (India) Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.