

Date: August 12, 2025

The Manager
Listing Department
BSE Limited,
Phiroze JeeJeeBhoy Towers,
Dalal Street, Mumbai – 400001 (E)
Maharashtra, India
Scrip code: 543426

The Manager
Listing Department
National Stock Exchange of India
Limited,
“Exchange Plaza”, 5th Floor, Plot
No. C/1, G Block, Bandra – Kurla
Complex, Bandra Mumbai-400051,
Maharashtra, India
Symbol: METROBRAND

Subject: Transcript of the Investor Call on Unaudited Financial Results (Consolidated and Standalone) for the quarter ended June 30, 2025.

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/Madam,

In continuation of our letters dated July 31, 2025 and August 8, 2025, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter ended June 30, 2025, conducted after the meeting of Board of Directors held on August 7, 2025, for your information and records.

The above information is also available on the website of the Company at <https://metrobrands.com/stock-exchange-disclosures>.

Yours faithfully,
For Metro Brands Limited,

Deepa Sood
(SVP- Legal, Company Secretary & Compliance Officer)
Membership No: 16019



“Metro Brands Limited Q1 FY 2026 Earnings Conference Call”

August 08, 2025



MANAGEMENT: **MR. RAFIQUE MALIK – CHAIRMAN, METRO BRANDS**
MR. FARAH MALIK BHANJI – MANAGING DIRECTOR, METRO BRANDS
MR. NISSAN JOSEPH – CHIEF EXECUTIVE OFFICER, METRO BRANDS
MR. KAUSHAL PAREKH – CHIEF FINANCIAL OFFICER, METRO BRANDS
MR. MOHIT DHANJAL – CHIEF OPERATING OFFICER, METRO BRANDS
MODERATOR: **MR. MANOJ MENON – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Metro Brands Q1 FY '26 Earnings Conference Call, hosted by ICICI Securities Limited.

As a reminder, all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions once the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*", then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon from ICICI Securities Limited. Thank you, and over to you, sir.

Manoj Menon: Hi, everyone. Representing ISEC, it's an absolute pleasure to host Metro Brand's 1Q FY '26 conference call.

The Management is today represented by Mr. Rafique Malik – Chairman, Mr. Farah Malik Bhanji – Managing Director, Mr. Nissan Joseph – Chief Executive Officer, Mr. Kaushal Parekh – Chief Financial Officer, Mr. Mohit Dhanjal – Chief Operating Officer.

Over to Nissan for the opening remarks and post which we will open the floor for Q&A. Over to you, sir.

Nissan Joseph: Thank you, Manoj. Good afternoon, everyone, and thank you for joining. And welcome to our Q1 FY '26 Earnings Call.

As you all are probably aware, we posted a 9% growth in both our standalone and consolidated numbers. In the quarter, we had an offset ease, a strong season for us that fell into the previous and the early onset of monsoon, which though is key for our crocs business does dampen shopping in the markets. The two major markets with early monsoon were Gujarat and Maharashtra where we have a significant dispersion of stores. Nonetheless, we were able to have an almost double-digit increase in top line sales.

Our EBITDA grew 8%, coming in at 31%, slightly behind last year due to increased spend in marketing to enhance our brand positioning for our various business units. Our PAT grew 7% to maintain our mid-teen performance of 16%. Gross margin remained consistent and healthy running in the high 50% range as we achieved almost 60% margin for the quarter. Our e-commerce business stayed its course and delivered another 45% growth. Fortunately, monsoons do not dampen online shopping.

We are seeing traction in the quick commerce space, though it is very limited to a handful of metro cities today. For the quarter, we opened 23 stores and closed three stores. We have been working on repositioning Walkway and are now beginning to open stores for that banner. We opened four Walkway stores just in the last quarter compared to four for the whole year last year. We have delayed the opening of Foot Locker and Fitflop to allow for stabilization of sourcing, given the BIS regulations that impeded imports for most of last year. We are starting to see that

supply chain gain stability and have started opening Foot Locker stores in this quarter. We still plan on opening Fila stores later in the year as we continue to reposition the brand.

As we announced mid-quarter, we are excited about the new partnership with Clarks shoes. This premium brand of dress and casual footwear fits very well within our Metro Mochi business and also has the brand recognition to have its own mono-branded stores. We now have a long-term exclusive agreement for India and surrounding countries like Bangladesh, Nepal, Maldives, Sri Lanka, etc. This agreement makes us the exclusive supplier and seller of Clarks in India in all channels, online and offline. We will have more updates on the plans for Clarks in our next earnings call.

One item I mentioned in our last call that is worth repeating is on the ESG initiative of Metro Brands. We may be the only footwear retailer in India, or in the world for that matter, that recycles a pair of shoes for every one that we sell. Let that sink in for a minute. I am really proud of the ESG team that has worked so hard to build this ecosystem for us, and we hope to continue to increase our recycling efforts to consistently see the pairs that we sell.

With that, I would like to turn the call back to the operator and open it up for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Videesha Sheth from Ambit Capital. Please go ahead.

Videesha Sheth: Hi, good afternoon, team. So, Nissan, you touched upon the repositioning of Walkway. Can you please elaborate on that, what are the moving parts involved in the outcome that you are expecting over here?

Nissan Joseph: Well, we are repositioning Fila, Videesha. We are not repositioning Walkway. We are kind of getting into that whole value footwear chain piece. We have been working on it, looking at it from a store presentation standpoint, how we come to life the product, what the cost structure is for that business and to ensure that it starts to get set up for profitable growth. As you know, we have not grown a lot of Walkway stores in the last few years. And I believe we are at a point now that we can start adding Walkway to the list of banners that we can continue to expand.

Videesha Sheth: Okay. So, just a follow-up to this. If you want to own the lower price point range in the entire pricing ladder, do you believe there's still some more work involved or to be done around the supply chain part of it? Because to those consumers, you have to offer a combination of both pricing and design, and front end is something that you guys are anywhere on the top of. So, just wanted your thoughts over that.

Nissan Joseph: In the business, the supply chain, the design all the way down to the consumer accepting designs and pricing is an ongoing battle, it's an ongoing thing. It's not a magic formula that you can apply and just sit back at it. We are very confident that we see inroads and traction in the initiatives that we have taken, that we will now be looking at it much more closely. As you know, almost

80% of the footwear sold in India is below Rs. 1,000. And that's the space Walkway plays in. And I think it has an opportunity to really take us and continue growth.

Videesha Sheth: Got it. And the second question would be around store addition, considering that consumption has not yet picked up for, would you expect store addition to remain relatively lower at 80, 90 or would you be crossing 100 this year?

Nissan Joseph: Where I would leave that is we are seeing traction in the deals we are getting, which is a good sign. I think if you remember a few calls ago, we talked about rentals starting to spike. Rentals are never coming down, but we have definitely seen them come off the spike that they have been on. So, we feel pretty optimistic that we can continue now our trajectory of growth in stores. How many stores we open, it's really a matter of what the right opportunity is out there, Videesha. We are not here to hit a number. We are here to capitalize on as many rental deals that make sense for Metro come our way.

Videesha Sheth: Got it. Super helpful. I will join back the queue. Thank you.

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 for the opportunity. Nissan, my first question is to you. While we understand that the retail environment has been weak, a lot of companies have spoken about early monsoon and a few other factors as well. But the growth that you are seeing in your case, would you say that it is the result of these one-off factors? Or is there anything specific to Metro brands as well?

Also, I wanted you to share with us, do you feel that these initiatives, let's say, Walkway or even addition of Clarks, monobrand stores, etc., now become important? Or they really need to fire for you to hit, let's say, a mid-teens growth? Or do you think the existing scaled-up brands are enough for that mid-teens?

Nissan Joseph: All right. First of all, thanks for your question. But let me anchor what you are saying to some numbers that might put it in a little bit more perspective, right? If you go back, if you talk about there would be a muted demand and whatever else you have. If you go back to FY '20 Q1, which is calendar '19, which is the last quarter we had before COVID, we were up 101% over that quarter, even after last quarter of muted demand as you call it, right?

So, just to give you a perspective, if I were to CAGR that, it would still come to a 12%. And I am including the COVID year in that, I am not calling that out, I am including that year, we would still have a 12% growth, right? So, what you are really seeing is us coming off some of the lumpiness caused by COVID for our business. We are not seeing any fundamental cracks or gaps in the business that alarm us.

On the contrary, as I mentioned earlier, we are starting to see rental start to make more sense. So, we do not see that being a core issue internally. There is a certain lumpiness. You always have dates going back and forth. The previous quarter, for example, did not have a leap year day. You are always going to have these kind of things in retail. And despite all of those things, I do want to double down and say that it's 12% CAGR, including the COVID year.

If you look at our PAT, it has a CAGR of 15% over that same period of time. And our PAT margins back in 2019 were 13%. And last quarter, as you know, we almost reached 16%. And these are the things we are guiding to. What's really important to look at here is, we have guided to 15% CAGR growth. We have guided to about mid-teens in PAT. We have guided to 30% plus in EBITDA. And we have never strayed from those numbers, not through the highs and not through the lows of the lumpiness of COVID. So, we see really a constancy of business. It's really things settling down for us.

And as far as the new banners go, there's going to be one of the three levers of growth we have. We have same-store sales growth, we have new store expansion, and of course we have new banners that will come in. So, we do not add brands for the sake of growth alone. They have to have a significance to our consumer. We look backwards from our consumer, if they are significant and meaningful to our consumer, as we quest to try and take more of the footwear wardrobe of a consumer, they have to make sense in there.

Kaushal Parekh: Just adding to what Nissan said, to your second question, we expect close to about 15% to 18% CAGR. I am talking long term, I am not talking short term here, not only through our new formats, but ideally for each of the formats that we have. So, individually, each of the formats, we would expect that kind of growth to come in. Metro, which is our biggest format, is just 350 stores. So, there's a huge room for growth. And we feel each of our formats can grow 15% and upwards over a long period of time.

Saurabh Kundan: Very clear. Just one follow-up. This is to you, Kaushal. This Rs. 43 - Rs. 50 per square feet that you have reported this quarter is obviously impacted by calendar shift etc. Have you done an excess that you can give us a number only because of this calendar shift, what would this number have been if it was a normal quarter without the Eid festival shift, this Rs. 50 would have been what.

Kaushal Parekh: Broadly, if we see our sales, we would easily have been higher by about 2% to 3% if Eid was to be in Q1. So, approximately around a similar percentage would get added to the sales per square feet also, the number that you see.

Nissan Joseph: Saurabh, the other thing you have to consider is the annualization effect of almost 100 stores that opened in the last 12 to 15 months, right? New stores never have the same productivity as your existing stores. You are not supposed to, right? If they did then there's something wrong with the existing stores. So, as you see those annualization numbers come, so that's number one.

Depending on the mix of formats that we open, all our different formats contribute differently to the sales per square foot. We do not break it out, but some are definitely more accretive to it, some are dilutive to it. That is probably a bigger effect than just one quarter of whether it's Eid, not that it does not affect it. But the bigger effect is the annualisation of 100 stores, which is over 10% of our chain that happened in the last 12 to 15 months.

Saurabh Kundan: Thank you, Nissan, for the answer. I will get back in the queue.

Nissan Joseph: Yes. But Saurabh, you can rest assure that it does not in any way detract from our profitability margins, our EBITDA. So, that's a number that does not change showing that it's healthy growth and not growth coming at the cost of those things.

Saurabh Kundan: Okay, thank you.

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

Devanshu Bansal: Hi, Nissan. Thanks for the opportunity. Just building up on the demand thing. So, we are clearly noticing that preference of consumers is moving towards casual products, as well as channels like online, right? So, where our presence is currently lower, albeit it is building up. So, wanted to check, is this changing consumer preference also coming as an hindrance to our growth, what's your sense on this?

Nissan Joseph: I do not believe it's necessarily this casual. There's a lot of consumer preference changes, right? There's personalization, there's comfort, these are all changing landscape of a consumer. That is not the big driver of what's going on. What I believe is it's just a normal change, the lumpiness of post-COVID. I must remind you, our growth, if you look over a period of time, like we always guide to, we are always going to have a quarter here and a quarter there that does not seem to totally be in line with what we do like.

However, when you look at our performance compared to the industry, compared to our space that we operate, we continue to lead the way in growth and maintaining profitability. So, I would say it's not so much the consumer preference is changing. Albeit we know that consumers are adopting more into athletic footwear and casual footwear, as you mentioned. But our stores are geared to be able to pivot to take care of those consumers. It's not like we do not sell casual shoes, casual shoes and casual and athletics are over 50% of our business today. So, it's not like we have been absent in that market at all, Devanshu.

Devanshu Bansal: Interesting. I understand. So, Q2 typically is a slower quarter revive to the 1st Quarter. But this time around festive is relatively early, which is in Q2 itself. So, versus historical trends, can we expect a better traction this time around? Or what's your view here?

Nissan Joseph: Yes. I think you will see some dispersion of those sales into Q2. And then you have to come back and maybe offset some of that in Q3. It's just a normal cyclical nature of the business.

Everything is getting early and earlier, right? So, Eid gets earlier every year. What's important to know is that the foundation of the business, the growth levers that we have in place are all working and going in the right direction.

Devanshu Bansal: Understood. Lastly, on Walkway, there is an uptick in expansion. Annually, if you could just provide some guidance on store additions here. And the related question is, how the unit metrics of Walkway stores sort of defer from Metro Mochi stores in terms of revenue and margin front?

Nissan Joseph: Yes. So, we do not guide simply because we want to open as many stores as makes logical sense for our business. As far as the revenue numbers go, obviously, it's not as profitable from a percentage standpoint as a Metro and Mochi business. However, it is an amazingly good deployment of our capital that we have from an ROCE standpoint. Definitely standalone will make a profit, so that's not an issue. While it might be dilutive, it's not in any way negative by itself. So, without divulging too much of the sales per square foot are not as much as the Metro Mochi for example. So, you will see some dilution, but what we aim to do is have top line growth without compromising on any of the key numbers that we have guided to.

Kaushal Parekh: Devanshu, our long-term targets for Walkway is, take for example, for our co-formats like Metro Mochi, our ROCEs at store level they are upward of 40%, 45%. For Walkway, if we think from a long-term perspective, ideally, we would like them to deliver somewhere around 30% and upwards.

Devanshu Bansal: Understood. Got it, Kaushal. Thanks.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from Ikigai Asset. Please go ahead.

Rahul Agarwal: Hi. Thank you for the opportunity. Sir, could you talk about a little bit on same-store sales growth for Metro Mochi and Crocs, please?

Nissan Joseph: We do not break out same-store sales growth. But in the 15% CAGR that we guide to, a good portion of that will come from and has come from SSG. The other portion will come from ASP growth, I mean, unit growth, and the other percent will come from new store annualization and new store growth, right? So, we do not break it out. We expect all the stores to hit good SSG depending on their aging, the newer stores tend to have a higher percentage of growth on an SSG basis, whereas more mature stores tend to have a little bit of flattening out, but still will show growth.

Rahul Agarwal: Yes, I understand that. I was actually more talking about, let's say, the past 12 to 18 months trends. It looks like most of the revenue growth is now essentially coming from new store additions. Hence, I was just a bit concerned on what's really happening on the same-store sales growth. So, just from that perspective, anything qualitative also is helpful.

- Kaushal Parekh:** Yes, Rahul. As Nissan earlier mentioned, at times in retail we see slightly lumpy cycles, right? FY '23 was one of the best years with, obviously, pent-up, etc., revenge buying, whatever you call, all clubbed into that year. So, in light of that, when you see FY '24, you will see as if FY '24 was muted. If we see versus Q1 of FY '20, Nissan mentioned, right, we see a 16% growth which would come to a CAGR of around 3%. If we see slightly longer period, say 10 years, we have generally seen overall SSGs for all our formats ranging in that mid- to high single digits. So, that is our long-term target for any retailer to ensure that profitability does not get impacted, that's a minimum SSG that you would want to target over a long period of time.
- Nissan Joseph:** And while it's an important metric, and we continue to gun for it. Do not forget sometimes we open our own stores on top of our own stores, right? So, we have a very successful Metro store. We will backfill it, which is part of our growth strategy, we will backfill it with another Metro or we will backfill it with another Mochi store. If we see a very good store, Metro or Mochi, selling a lot of Crocs, we were back a little bit the Crocs standalone store.
- So, some of the mutedness, the reason we would not hit high double-digit SSG growth by itself is because we cannibalize ourselves to some degree. But it's good because in overall we gained market share without losing profitability. And that's the ultimate goal is to keep gaining market share as much as we can. And if you look at the numbers over the last few quarters, as you alluded to, if you compare how we perform versus our peers, we have definitely gained market share. And if you look at our profitability, we have not compromised on our profitability at all.
- Rahul Agarwal:** Perfect. Got it. A related question also was that the margins, which are anyway I think best-in-class, I would imagine, purely from an SSG perspective looks like the contribution, assuming that's a bit lower than what it should be, the margin would actually have some upside from here, right? If you have better SSGs across your Metro Mochi and Crocs, is that understanding, correct? Or you think these margins are at a peak here and we should actually sustain there, and we are not looking for incremental margins?
- Nissan Joseph:** Yes. What we are really looking for here is to have a business model that sustains over many years, right? It's not about increasing a number. Because at some point it will come back to be itself. It will not be a profitable way to grow. So, what we want to do is to continue to grow along the way we have guided. And we have been guiding this since we went public. And I think you should be pretty pleased, that especially when it comes to profit, PAT and EBITDA, we have always been in our guidance, if not better. That's more important to us than talking about just one singular number.
- Rahul Agarwal:** Got it. And lastly, one small question on UK FTA. Is there any benefit do we expect on the business purely from India UK FTA signed up?
- Nissan Joseph:** No. We are 100% India. We source almost 95% of our goods in India. We sell 100% of our goods in India. So, we do not see that impacting us, benefit or otherwise in any way.

- Rahul Agarwal:** Right. Perfect. Thank you so much for answering the questions. I will get back to the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Jogani from JM Financial. Please go ahead.
- Gaurav Jogani:** Thank you Nissan and Kaushal for taking my questions. My first question is with regards to the marketing spend that you alluded to in your PPT in Q1. So, would you say that it is kind of front-ended? And whatever we spend on the annual basis, that would remain? Or this year we could see a higher marketing spends for the year?
- Nissan Joseph:** We target around 3.5% to 4% in that category. And last year, if you looked at it, we did not spend that much in the quarter. So, we really want to continue to invest in our brand building efforts and making sure that all our brands continue to be top of mind. So, we are not going to see that level off. However, you will definitely see that we are going to invest in marketing.
- Gaurav Jogani:** So, if I understand it right, Nissan, it would be in the 3% to 4% rate, right?
- Nissan Joseph:** Yes, which if you were to do a comparative basis, it will probably be slightly higher than last year.
- Gaurav Jogani:** Okay. And Nissan, my next question again is with regard to the same store sale growth booking. Now, I am not taking a one year, two-year view. But even if we look at from FY '23 onwards, I mean, still we are lagging on the revenue per square feet number. Now there could be two parts to this. One is, because of the addition has been higher. And second would be that we are also opening stores in Tier-2, Tier-3 towns, which kind of would be impacting the revenue per square feet. So, which one would you allude to a larger portion, the demand slow down or the other way?
- Kaushal Parekh:** Gaurav, if you see FY '23, that was our highest sales per square feet, right? Because we all know that year had quantum of pent-up buying, etc. Ideal number to compare would be FY '20. If my memory serves me right, it was somewhere around Rs. 17,000 and we are trending higher than that. And also, this is a blended number and it depends, since we have eight formats now, it becomes slightly difficult. Because based on if we increase Walkway significantly, obviously, we will see some impact on these numbers. Certain formats would have upward impact. So, best way to see is compare sales growth and see how the profitability of the company is moving rather than just being fixated with this particular number.
- Nissan Joseph:** And Gaurav, well, we are very keen on continuing to grow, keeping in mind that our costs grow as well. And that's what we focus on to make sure that our growth covers our cost and get beyond it as well. And that comes in many different ways, right? And again, I think we might read too much into this sales per square foot. It can be that it was affecting our business like a lot of people would think. You would see that in the other numbers comes through very quickly.

- Gaurav Jogani:** Sure. Understood. I appreciate that. And my last question is with regards to the Fila format. I mean, there were certain losses that we had incurred when we had acquired the brand, so if you can help us out where are we on the journey? Are we breakeven in that format? How much losses are there? Anything there would be helpful.
- Kaushal Parekh:** Gaurav, in the first year, FY '24 losses in Fila format were around Rs. 58 crores. Last year, we reduced it by around 40-odd-percent. And this year, it will further go down. Sometimes next year is when we feel we should break even with respect to Fila.
- Gaurav Jogani:** Okay, sure. Thank you. That's all for me.
- Moderator:** Thank you. The next question the line of Shraddha Kapadia from SMIFS. Please go ahead.
- Shraddha Kapadia:** Thank you so much for the opportunity. So, my first question is usually regarding the ASP. Would it be possible to give the ASP excluding the accessory majorly for the footwear, would that be possible? And also, if you could help with the current ASP for Clarks.
- Kaushal Parekh:** So, ASP, if you take ASP only for footwear at our stores, it is somewhere around Rs. 2,700. And we have seen growth of around 3.5%, 4% in that. Overall ASP also we have seen growth of around 3%.
- Nissan Joseph:** If you look at our premium business, it represents almost 56% of our business today, Shraddha. So, while we try not to give too many forward-looking statements or give too much information on our business for competitive reasons, Clarks would definitely be north of Rs. 3,500 to Rs. 4,000 as an ASP.
- Shraddha Kapadia:** Okay, sir. That was quite helpful. Sir, just continuing with the statement which you said. So, currently if we take a look, then a premium mix which is there is 56%. Do we have any target or do we have our target so as to reach, say, 60%, 70% of our total which would be there?
- Kaushal Parekh:** No, we do not have any target. If you even see our last three years' trend, right, this number has gone up by 1% year-on-year. So, FY '24, if I remember correctly, our contribution of sales upward of Rs. 1,500 was around 86%, 87%. Last year it was around 88% and this year for 1st Quarter it is around 89%. So, it's been very stable. We are already at a very high number. Obviously, with the addition of formats like Foot Locker, Clarks, etc., we will see upward movement. But yes, we are also planning to increase Walkway, so it will sort of balance it out.
- Nissan Joseph:** So, we fully understand that certain banners of ours play to a premium segment, Shraddha, and certain brands play to the value segment, right? So, each of those segments, each of those banners needs to stay in the lane and perform in their lane, and that's what's important to us.
- Shraddha Kapadia:** Sure, sir. Thank you so much. Thank you for taking my questions.

- Moderator:** Thank you. The next question is from the line of Prerna Jhunjunwala from Elara Securities. Please go ahead.
- Prerna Jhunjunwala:** Thank you for the opportunity. Sir, last year, wedding season was weak and that had impacted our sales in Q1. And this year Eid moved in Q4. How would you see consumer sentiment between both periods?
- Nissan Joseph:** I think it was quite consistent with what we would have expected. I think though there were wedding dates in this quarter, most of that shopping was done previously. But we also had to offset some other things in there. Consumer sentiment for us, what I can look at is slightly longer term. You have seen us go from flat sales to now being at almost double-digit growth for two straight quarters now. Obviously, we are leveling off again and getting back on our growth trajectory, which is really the consumer telling us what they are doing. We are not seeing anything that causes us great concern. When we sell out of products we expect to sell out, and we sell out some that we did not expect to sell out. And there are some others that do not do well, which is just par for the course. We are not seeing a consistent trend that points that the consumer is shying away from this or that.
- Prerna Jhunjunwala:** Okay. Any color on urban versus, I mean, Tier-1 versus Tier-2, Tier-3, where the demand is really showing up? Any region specific comments that you would have for consumer sentiment?
- Nissan Joseph:** Yes. So, from time to time, we do see certain regions perform, not perform rather, I should say. So, for example, we had early monsoons as I mentioned in Gujarat and Maharashtra that impacted our sales in those stores there. We are seeing some slowness in the South from time to time. We see some erraticness from even states like Punjab. But it goes up, it comes down. And for me, to categorically say that there's one continuous offender, so to speak, that would not be a fair statement.
- Prerna Jhunjunwala:** Okay. My second question is on premiumization, we are seeing ASP growth coming in now every quarter. Would you share which brands are contributing to this premiumization?
- Kaushal Parekh:** So, we are seeing ASP growth across our banners. Only exception would be Walkway where obviously we have reintroduced price points below Rs. 500. So, there, we will see slight downtick in terms of overall ASPs. But otherwise, all the banners we are seeing normal ASP growth of anywhere between 2% to 5%.
- Prerna Jhunjunwala:** Okay. And any price hikes that you have taken which could help us understand whether it is premiumization or it is led by price hikes?
- Nissan Joseph:** Nothing out of the ordinary. Sometimes it's more of a mix of goods, Prerna, because you also have to block and now we have other brands that are now kicking in, Fila is also at much higher ASP than the average than most of the other businesses run. It's really a mix of goods more than

its anything. Of course, we do take price increases in a steady rate, but we have not had to because of any spikes in supply or input costs.

Prerna Jhunjunwala: Okay. Sir one more question on Clarks. Where do you see this brand coming in? As per media article, this brand was about Rs. 250 crores to Rs. 300 crores with erstwhile license holder. How do you see this brand shaping up in your umbrella?

Nissan Joseph: I think we will give more color on that on our next call. But as you know, Metro always is able to leverage the power of brands and bring it to life in this country as we have proven with Crocs and Fitflop and other brands. So, I think we will give you a little bit more color on that in the coming quarters.

Kaushal Parekh: And Prerna, as we have mentioned earlier, we generally do not get into strategic relationship unless and until we see potential in that particular brand, that brand being synergistic to our existing offerings, especially our MBO formats like Metro Mochi and others. So, we see good potential for Clarks over a long period.

Nissan Joseph: I must add, we were one of the largest sellers of Clarks in India when they were with the other partners. So, we have a good understanding of the brand. We know what the brand is. We were one of the best sellers of it. So, I think there's a lot of synergies there that we plan on capitalizing on it.

Prerna Jhunjunwala: Sure, sir. Thank you so much. And all the best.

Moderator: Thank you. The next question is from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Hi. Thank you for the opportunity. Sir, the question is again linked to the ASP question of previous participants. We have seen this growth after some quarters, would you say that Crocs has grown faster, given that you have seen a contribution of outside brands go up a bit? And you also alluded to early monsoon. Was Crocs cross meaningfully faster than the other channels this quarter?

Nissan Joseph: Nothing of a significant nature, but the early monsoon helps more than any other brand, right? As I mentioned in my opening comments that it's Crocs Diwali when it rains. And they got lucky that they caught it early and all of it fell into last quarter, whereas in normal years most of it would trickle into this quarter actually. So, that's not the biggest driver. And do not forget also have other brands coming on, right, like Foot Locker, and the new era is not exactly a low-end brand. We were liquidating a lot of Fila at low price points last year. This year we are not liquidating as much as those price points, we are selling more at a higher price point. So, there are various factors that are causing it, Umang.

Umang Mehta: Understood. So, then it's more sustainable than going forward?

- Nissan Joseph:** Right.
- Umang Mehta:** The second question was on Clarks. Now what we have seen is that they have struggled for several years with scale and profitability. While you said that you might share more on your plan in the next kind of call, but any assessment on what was wrong back then and what could potentially change? I mean, some color you can share?
- Nissan Joseph:** Well, it's hard for us to know what's wrong behind the covers of different organizations, right. So, we try not to focus on that. What we are focusing on, as Kaushal said is, when we evaluate a brand, there's a couple of filters we put it through. First, is it meaningful to our customers? And of course, we know it was because we sold a lot of Clarks when we sold it through our Metro Mochi stores. So, that's number one. Number two, do we think we can place stronger and do a better job with it? I think we have proven ourselves that we are able to do that. That's what we look at more than about what went wrong and things like that. It's about what we can do with the brand and where our customers want from us with that brand.
- Umang Mehta:** Sure. Makes sense. And just one last one. So, do you think now you have enough banners? Or do you think that the potential to add more, if it makes sense, is still there for the footwear business? That's the last one, thanks.
- Nissan Joseph:** Yes. I think you should ask our customers that, right? If our customers' shows they want us to carry more banners, we are happy to. At the same time, we also have some amazing brands in our own portfolio, such as Metro Mochi, DaVinci, J Fontin that we are able to cater to a lot of the demand out there. So, it's really a matter of balancing between something we can do versus something we cannot do. So, it's not just a matter of getting banners at all. It's a matter of making sure that we are finding banner that means something to our customers in a space that we are not able to do the same thing.
- Umang Mehta:** Okay. Sure. Perfect. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Tejash Shah from Avendus Park. Please go ahead.
- Tejash Shah:** Hi, thanks for the opportunity. A couple of questions. So, first, we keep on referring to that revenue buying or surge demand that we saw post COVID. And if I remember correctly, we also responded in that time by opening many stores to cater to that demand. So, now when the demand is normalizing, are we seeing that some of the store economics that we would have budgeted then are not holding up and there's a pressure to kind of revisit the stores or perhaps relocate the stores?
- Nissan Joseph:** It's a constant circle there. It's not about just that demand opening. Every time we open stores, we will have a group of stores that do not perform, we will have some of them that overperform. A good way to gauge that is if you look at our failure percentage, Tejash, it's very low, right?

So, it means that most of our stores are hitting the profit that we want them to. So, it's not about just that.

And do not forget, we talk about consumer demand. The amount of shopping that was done post COVID and for the couple of years that followed, it was quite intense. And now consumers are having much more options for their disposable income as well. So, I think they are still spending. It's just a question of the dispersion of spending is changing a little bit. But that's why we look at a little bit more of a long-term perspective. And I think you would be happy to see that we have been able to control our input costs very well to keep our profits and EBITDA margins in that range that we guided to.

Tejash Shah:

Yes. Second, like the Crocs has been a very successful story in our portfolio. But now when I see our portfolio, we have let's say two or three established projects on the left-hand side of balance sheet. And on the right-hand side, as a use or application of funds, we have many projects which are in WIP. So, how do you allocate or how do you prioritize managerial and financial resources or bandwidth? How are you planning to prioritize the same now?

Nissan Joseph:

Well, I think, from what we put together as a plan that we see for that banner, we realized that a lot of these banners need significant investments to grow. And that's why we look at what is the potential for every brand that we acquire. It has to be significant and meaningful to us. Each one of them, it's like children. Each one of your children have a different need, and they are in a different stage of growth. So, I cannot categorize just all of them on the right side of the balance sheet as a certain amount.

But the good news, as you know, we have capital ready to deploy. We have deployed it well. And then we also invest a lot in people, in putting teams in place to take care of those businesses. And I would say between the people investments and the promotional marketing investments that we make in these brands, the design investments, that's what would take up a lot of the capital. But it is worth it for us and it's not going to significantly move the numbers crazily on any given point in time.

Kaushal Parekh:

Tejash, just adding to what Nissan said, BIS implementation also led to some delay, especially in Foot Locker and Fila. But now in this year and coming year, you will see those brands also growing meaningfully.

Tejash Shah:

Perfect. And just to extend that point, do we have enough children now or we have space to accommodate more children?

Nissan Joseph:

You got to ask the wife ,who is not as a consumer , that question. We serve the customer. And as the customer is telling us that we are not meeting the needs, we are happy to continue to explore brands. And brands come and go, too, right? So, today we may or may not see a brand, tomorrow we will see a brand. We understand there's an evolving landscape. I think somebody

alluded to that about customer preference is changing, right? And they are going to only have they changed so far, they are going to continue to change. That's for sure.

Tejash Shah: Perfect. Thanks and all the best for coming quarters.

Moderator: Thank you. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Hi, sir. Thanks for taking my question. Firstly, on the Walkway repositioning, I am not sure if I understood what exactly is the change here? And what was the problem earlier, which you are trying to fix? And having done this, will it still be a trial and error kind of a pilot? Or now with all this done, you are targeting full-fledged expansion here?

Nissan Joseph: Okay. Let's start off with the basic concept, the size of the market, right? As I mentioned earlier on, 80% of the footwear sold in India is under Rs. 1,000, right? And that's not a space we were playing at. So, then the question becomes, why were not we playing it in the past? We have a lot to do to get positioned for growth. Listen, since COVID, we have opened almost 400 stores, which is 80% of what we had pre-COVID. That's a significant growth that takes a lot of bandwidth, that takes a lot of planning, it takes a lot of head space out of management, right? So, we have to prioritize our growth levers. We have prioritized those growth levers. We have now come to Walkway to say how do we grow that.

And honestly, Walkway, as I mentioned earlier on, is not as profitable from a PAT percentage standpoint. But I must reiterate that it's a wonderful use of our capital. As you know, we do have a lot of cash at hand and it's probably very good use of our capital and that's what we are gearing towards.

Sameer Gupta: Okay. So, there is no real repositioning here, it's just that now you will focus on it?

Nissan Joseph: There's no repositioning, but of course there's a lot of tweaking and refinement that required before you grow any chain of stores. Listen, if you have 60, 70 stores, it's easy to say, this is what they do. But to get it ready for growth in line with the rest of your company, that requires a whole different approach whether to supply chain, whether it's talent availability, whether it's how you are going to manage this business as it grows, back to your real estate and BD team, it's a significant amount of things that need to move to raise a child.

Sameer Gupta: Got it. And with this, we are saying that the tweaking and refinement is now done, now we can grow it as we do the other brands?

Nissan Joseph: I think that's a safe comment.

Sameer Gupta: Okay, sir. And on Foot Locker, so the earlier communication was that we are still having a cautious approach here, wait and watch as the things the way they are developing. Are we still

in that mode or now things are clearer, and I see that we are opening another store in Mumbai now? So, is it now behind and now things are sorted?

Nissan Joseph: Yes. So, it was only BIS that made us hesitate, Sameer. It was nothing else. It's not that we are not sure about the chain of the concept, it was the BIS uncertainty from the brands. As you know, Foot Locker is primarily a multi-brand store that is serviced by all the major global brands essentially. And all of them were at various stages of the journey mitigating the BIS risk until we had clarity that they were past a certain point. I would still say they are not through that entire mitigation. It's to a level where we are comfortable enough. And as you mentioned, we have subsequently opened two stores. We plan to open more stores before the end of the year, and we will continue that growth. But we had taken a pause there for a good seven months while we wanted to see how the BIS laid out.

Sameer Gupta: Okay. So, suffice to say the BIS situation now is not sorted completely, but still is at a situation where you can go ahead with your store opening at Foot Locker?

Nissan Joseph: Correct.

Sameer Gupta: Got it. Lastly, if I can sneak in one more. On Fila, now I still see that EBO, and you have been consistent in this, not saying anything over here. But if the EBO actually opened from second half, what is it waiting for? I mean, is there still the marketing that needs to come out before you open stores? Is it still a buffer that you are keeping for some more uncertainty that can come in? Just your thoughts here.

Nissan Joseph: Well, it's a combination of things, right? One of them obviously is BIS, right? So, it would have been easiest for us to launch it because we would get the assortment, we would get all the products we needed from our global partner of Fila, right, that would have made it a lot easier. We did not have that luxury. We had to go create an entire supply chain for it right from raw materials onwards, right, because we had to do it in India. And so that has taken a little bit of time.

It also takes a lot of thought and planning before you get into that. We have also been busy testing those products, some of the products that we think would make sense in the EBOs in our key Metro Mochi stores. So, the journey was not just to say, let's open stores. The journey was, let's test and see how repositioning the brand in our Metro Mochi stores. When we have learnings from that, by then we will be ready to execute at a certain period of time. We have always guided that it would be in the latter half of this year or this calendar year that we would open stores from Fila, and we have not strayed from that.

Sameer Gupta: So, sir, my question is that now if the BIS thing, we have already replicated most of the supply chain in India, this six months of buffer we are still keeping only for the testing portion? Or is there anything else?

- Nissan Joseph:** Yes. But even when we open stores, it's not like, oh, you have got the magic formula now run with it, right? It's an ongoing trial and trial and test. It's not like you get a formula together and say, okay, now we are get ready and let's open up 100 stores. And each of those iterations of product, each of those iterations of strategy, make it as much harder when you do not have access to an evolved supply chain in India, right? So, there are challenges there. But as you know, we are taking it cautious. But that in no way does that detract us from what we believe the brand can be when you look at it over the next three to five years.
- Sameer Gupta:** Maybe I will take this offline, sir. Thanks, no problem. I will come back in the queue for any follow-up.
- Moderator:** Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.
- Devanshu Bansal:** Just one follow-up from online perspective, we have seen very strong growth trends here. Typically, Q1 and Q4 are relatively weaker in terms of online sales and Q2, Q3 are relatively better. So, I wanted to check, is this a sustainable trend? Or there is any one-off to call out which has happened in Q1, maybe there EOSS that happened across online platforms. So, I just wanted to check your thoughts here.
- Kaushal Parekh:** Devanshu, if you check our e-commerce numbers for last year 1st Quarter, they were slightly weak. So, on days of that, obviously, it's a very strong growth. FY '24 Q1 was around Rs. 61 crores. Last year Q1 was around Rs. 58 crores, and this year is 84 crore. So, growth, obviously, 45% over last year is 45%. But if you take that into consideration, that would I think answer your question.
- Devanshu Bansal:** But typically, Q2, Q3 are better quarters from online perspective, is that a right takeaway?
- Nissan Joseph:** Better for this year and for last year. So, if you are looking at a comparative number, it should be the same, right?
- Devanshu Bansal:** Understood. And lastly, from a region perspective, you mentioned that West has seen relatively slower trends. But South as a region is also sort of seeing muted trends, while North and East are doing a little bit better. So, any specific reasons that is sort of impacting the growth there? And what are the steps that we are taking to sort of improve the growth trends?
- Nissan Joseph:** I mean, listen, we would be reaching if we knew what was happening. But we all read the news about what's happening in the tech sector, which would affect two big cities in the South. So, there's a lot of things happening that could be affecting it. We have heard that this in some of those states the depression of real estate prices are quite compressed and depressed. So, all these things affect the overall demand situation. But the good news is while it while we see it go up and down, it actually does not disappear. It actually starts to come back at some point because at some point shoes become a necessity too.

- Devanshu Bansal:** Sir, why I am checking was that there are a few players that have indicated that a few markets like AP and Telangana have started to show some green shoots. So, are we also sort of witnessing those green shoots in those particular regions?
- Nissan Joseph:** Like I said, they seem to come back too, it does not go away. We are seeing resurgence in some of those. In fact, we have seen it, but we have also seen it go back down. Now we think it's come back again. So, it's a little cyclical, right? But I do not think we are immune to it. But at the same time, I would not say that we are getting hammered over there.
- Devanshu Bansal:** Got it, Nissan. Thanks.
- Moderator:** Thank you. The next question is from the line of Aditya Bansal from Motilal Oswal. Please go ahead.
- Aditya Bansal:** Hi. Thanks for taking my questions. Sir my first question is on e-commerce. So, the share of e-commerce in our overall pie has been going up, so is there any change in the channel strategy for us? Like earlier the commentary was it will be around 8% to 10%, so any changes there?
- Nissan Joseph:** Yes. So, one of the things we have been able to successfully do, Aditya, is to take part in the omnichannel initiatives where we light up the inventory in our stores across the e-commerce channel. And that we have been able to turn on more and more stores in there. The other initiatives that we do is we have been focusing on driving our DTC business also. So, there are initiatives that we are taking that lead to that number. So, it's not just something that magically happens. But what I must maintain is, we continue to ensure that we do not grow or through discounts, because that leads to brand erosion.
- Aditya Bansal:** Sure. A follow-up on this. So, you said you are averse from giving discounts, but there has been some impact on the gross margin versus last year. And then last year we had Fila liquidation impact. So, would it be fair, is it because of e-commerce growing faster? Or are there some other moving parts?
- Kaushal Parekh:** So, it's a combination, Aditya. Obviously, e-commerce has some quantum of discount and hence the gross margins are slightly lower. That is one of the impacts. But there are multiple other points that have led to the numbers. But gross margins are, if you see the change is 0.3 bps, so nothing much to read into that.
- Aditya Bansal:** Yes, just because Fila was in the base, that's why I checking.
- Nissan Joseph:** Well, a lot of that has to do with the mix of outside brands because inside it has a mix of e-commerce and omnichannel. It has a lot of variabilities. But bottom line, though, this quarter was our second highest quarter compared to last five quarters. And the last quarter is the one you are comparing it to, it was the highest quarter we have had in five quarters. So, we guide to the mid- to higher 50% gross margin range and we have achieved it.

- Aditya Bansal:** Sure. Another question was again on South. So, if I look at like last two years, revenue has broadly been flattish despite around 20% store addition. So, it cannot be the near-term tech sector, like is there any structural that is wrong with the South, especially for us?
- Kaushal Parekh:** Aditya, we do not think there are any structural changes apart from what Nissan mentioned. South remains one of the key regions for growth for us going forward.
- Aditya Bansal:** Sure. Thanks a lot for answering the questions.
- Moderator:** Thank you. The next question is from the line of Saurabh Kundan from Goldman Sachs. Please go ahead.
- Saurabh Kundan:** Thank you for this opportunity, again. I wanted to confirm on I think Sameer's earlier question, Nisan, did you say that Walkway, if I can use the word that the playbook is now all set and it's only a question of replicating stores now? Are there still work to be done?
- Nissan Joseph:** Yes. The playbook is never set in retail, right? It's a constant evolution; it's a constant tweaking. And that's why I think Metro brands does such a great job because of our operational rigor that watches what's happening every single day. Having said that though, I think broadly we feel good about the guardrails and the lanes that we have identified and the levers for Walkway growth. And I would say broadly, we feel confident that we are in a good place with Walkway.
- Saurabh Kundan:** Okay. Any constraints you would like to mention even now other than locations, I mean, any other constraints?
- Nissan Joseph:** What I would like you to do more per square foot, I would like you to do more sales. And the rentals, obviously, as mentioned, needs to be coming in line. So, finding the right real estate at the right rental. But I always want to do more per square foot. I always want to get better throughput in that value chain. But that does not mean it's not where it should be in the right place. However, we are not going to stop working on it.
- Saurabh Kundan:** Okay. One last one, please. I recall that most of your other MBOs, like Metro Mochi MBOs when you enter new geographies. From what I recall, you do have a component of localization, having local designs. Is that the case or plan to be the case for Walkway as well? Or will Walkway be slightly more uniform in terms of the merchandise it has across the country?
- Nissan Joseph:** No. I think in India, it's important to be regionalized because our preferences are so varied from one region to the other. Having said that, though, in that range of product, the price range, the value range, there's a lot of homogenous products that go across the country. But the biggest thing that changes is weather. So, if you were to do stores in the North versus South, you would see some significant differences. Otherwise, it's largely homogenous.
- Moderator:** Thank you. As there are no further questions, on behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.