



“Shoppers Stop Limited Q4 FY17 Post-Earnings Conference
Call”

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**MANAGEMENT: MR. GOVIND SHRIKHANDE – CUSTOMER CARE
ASSOCIATE & MANAGING DIRECTOR, SHOPPERS STOP
LTD.
MR. SANJAY CHAKRAVARTI – CUSTOMER CARE
ASSOCIATE & CHIEF FINANCIAL OFFICER, SHOPPERS
STOP LTD.
MR. RAMESH MENON – CHIEF EXECUTIVE OFFICER,
HYPERCITY INDIA LTD.**

Moderator: Ladies and Gentlemen, Good Day, and Welcome to Shoppers Stop Limited Q4 FY'17 Post-Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Govind Shrikhande – Customer Care Associate and Managing Director, Shoppers Stop. Thank you and over to you, sir.

Govind Shrikhande: Thank you. Good Afternoon, Friends. Welcome to the Q4 Con-Call of Shoppers Stop. I am on Page #3 of our Presentation – “Business Overview.” We will start with the ‘New Stores’. We opened one new store at Ranchi during the quarter; one Bobbi Brown standalone store at Market City, Pune. We also shut down one of our stores in Delhi, Rajouri. The replacement of this store will open up in the month of May end or 1st week of June in a location adjacent to the current Rajouri store. Our Loyalty Program continues to grow well and has reached now 4.7 million members and contribution to the share of sale was 75%. During the quarter, we have taken a provision of exceptional items – one is for the investment in HyperCITY of Rs.36 crores and second is on NGIPL which is the Nuance Group India Private Limited, our duty-free operations of Rs.11.8 crores. These have been taken in the standalone results and in the consolidated results we have taken write-down value of Rs.12.8 crores to reflect the current value of the NGIPL enterprise value of Rs.5.8 crores post the impairment that I mentioned earlier. I will explain these to you later when we come to the P&L.

On Page #4, you can see our coverage across India at 38 cities and 5.82 mn.sq.ft. cutting across multiple formats.

Page #5, again, you can see the ramp up that has happened during the quarter and the grand total showing at 5.8 million.

Page #6, the Ranchi Store photograph. It is 33,941 sq.ft. store, the first mall in Ranchi and our first store in Ranchi as well, has taken up pretty well as of now.

Coming to Page #7 – Key Financial Highlights:

‘Sales Growth’ The Department Store saw 1.9% growth at overall level and all formats at 2.6%. At a like-to-like level, we saw (1.1%) growth with stores greater than 5-years at 4.9% and stores less than 5-years running at 6.3%. Sales per.sq.ft. on chargeable area was Rs.2,362 Vs Rs.2308 during the same quarter last year. Here I would like to explain to you that sale like-to-like impact. During the quarter, we had taken a call to curtail our sale period by 10-days, so last year we had almost 65-days sale, this quarter we had only 55-days sale and that did have its own impact. We also had a number of big stores getting impacted either due to renovation of road, for example, Inorbit, Malad where there is a large amount of metro work going on, so the impact in customer entry, there is another store in Bangalore Mantri Malleswaram Mall, which got shut for about 45-days, so no sales happened there as well and one of our third bigger store across India, South City, Kolkata, the mall is undergoing complete renovation and our store as well. That is why you are

seeing a muted sales growth during the quarter. I would like to clarify that it has nothing to do either with demonetization or customer demand. We believe customer demand has been quite okay and the negative impact is coming primarily on account of our own decision of curtailing the sale and the impact of the external market. During the period we have also seen that our like-to-like growth or our online growth actually was at 50% and all the investments that we are doing to make our online through omni-channel is coming into place by September and we should be fully omni-channel in the second half of the year.

Moving to Page #8:

Customer entry was down by 10.4% reflecting the impact that I talked about for the big store and on conversion we are up by 3% at like-to-like level. On transaction size, we were up by 8% taking the transaction size to 2920 and average selling price was up by 2.2%. We saw volume degrowth of 3.3% during the quarter.

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The negative impact during the quarter has come about from private brand which lost about 250 basis points and they degrew by 5.4% in terms of sales. The merchandize buying model not too much changed between the bought-out consignment combination. As a combination, it is similar.

In terms of category – we saw clearly a good jump in Non-Apparel from 35.1% to 38.5%, Apparel degrew by a similar number. During the quarter, we continue to see good growth across Beauty, Personal Accessories and Women's Ethnic brand and Leather, three of these categories are Non-Apparel. The categories that ran negative, one of them was Mother Care, second one was Home, along with private brand which also de-grew.

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You can see shrinkage continues to be under control at below 0.5% level for the quarter and at annual level we are still at 0.37%.

Coming to Page #12 on the Financial Summary:

Here you can see that our top line grew by 3%, margin grew by only 2% and this margin growth did not happen as I mentioned earlier because of lesser share of private brand. We are clear about reducing our same period and hence we curtail our cost and you can see that we have made 50 basis points saving in our operating expenses, as a result you can see EBITDA up by 2% and in fact PBT is also up by 18% before the exceptional items. As far as exceptional items are concerned, one of them is about HyperCITY. This is a provision for impairment based on the guidance from our auditors to look at our overall investment within HyperCITY which is currently at about Rs.534 crores, we have taken impairment and we believe that as the performance improves, there could be a scope for reversing this impairment.

As far as NGIPL is concerned, we have reasons to believe that the performance of this format is not going to improve in the coming few quarters. So we are working on our reduced enterprise value and that is what we are reflecting here. Again, this is a one-time impact, will not recur. So basically both the impact of Rs.47.8 crores are one-time impact and will not recur. So please keep that in mind when you look at the PBT results and the PAT results for the quarter because these are non-recurring numbers.

Before I get on to Consolidated, let me first cover HyperCITY and then I will come back on Consolidated, and then I will also give you my comments on how do we look at the future. Moving on to Page #19, like-to-like sales growth, although we are reflecting 5.8, you may recollect that first half, we were just about 1% growth, second half overall we are running at almost 8.5% like-to-like growth, which is a good improvement at overall level. The best part about this growth is Fashion has grown by more than 21% during the quarter and now at a share of 16.4%. Gross margin is currently running at 21.9% Vs last year at 22.7%, so we are seeing some impact of slow moving inventory provisioning. OPEX growth has been faster than our top line growth and margin growth primarily because we have decided to invest specifically in three big areas – One is in the store infrastructure itself, Second is the marketing of the brand and Third on eCom where we believe that we would like to launch our own app by second quarter or third quarter of this financial year. So these investments have taken the OPEX higher and that is why you are seeing the store operating profit going more negative than the previous year but all these investments in my opinion will go a long way in the coming financial year to drive not only our top line but also our bottom line. So company EBITDA at Rs.(-20.2) crores Vs last year Rs.13.6 and at PAT level Rs.(-39.5) crores Vs Rs.34.4 crores of the previous year. Total retail space at 1.33 mn.sq.ft.

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You can see that the total growth has been at about 16.9% and then we have also shown you the like-to-like growth at 5.8%. At overall level stores greater than 5-years running at 3.9% and stores less than 5-years running at 13.9%.

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You can see the customer entry degrowth by 2.4% and you can also see that the conversion ratio has gone up pretty healthy by more than 10%. Average selling price is up by 5.9% and at LTL it is at about 6%, although transaction size has dropped marginally by about 2% because volume is almost flat for the quarter.

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You can again see the same sales number that we talked about; retail sales at Rs.266 crores Vs Rs.227 crores of last year, 17.3% growth. Margin on sales at 20% Vs last year's 20.1% at Rs.49.4 crores Vs last year's Rs.42.5 crores. Store EBITDA as I mentioned earlier, Rs.(-1.43) crores of last year has gone to Rs.(-3.77) crores this year and at company EBITDA level we are at Rs.(-20) crores Vs last year's Rs.13.6 crores.

Before I come back to the consolidated number, let me complete my comments on HyperCITY so that we are clear as to what the way ahead. We believe that the last year has been a rebuilding year for HyperCITY. We have gone back to our freshness appeal and discovery of experience within the store and that definitely is helping the customers to be more happy in the store. #1. #2, as I mentioned earlier, we are clearly seeing a traction of like-to-like growth coming back. After almost four quarters, we are seeing a positive trend there. So we are completely focusing next year on driving the top line growth at a double-digit level. We are confident that with all the steps that we have taken on assortment, mix and mix share, we should be able to deliver at least 40 basis points of margin growth as well. So we are pretty confident that the company EBITDA positive that we have been talking about for last four to six quarters, we should be able to deliver by the fourth quarter of the coming financial year and based on what happens on the equity structure we should be able to move towards EBIT-positive in the next financial year.

Before consolidated number, let me also tell you about what we are doing in the Shoppers Stop area. We believe that the time has now come for all the retailers to really focus on experience in the store and assortment. So this quarter onwards, you will see full-fledged action of investment in marketing for the next I would say between four to eight quarters as far as Shoppers Stop is concerned. We are bringing in all these investments under one title, "Bring Back Romance To Retail." We believe customers if they are given a chance to enter the store and if they are entertained well, if they get the right assortment, they tend to spend more time, they get converted well within the store.

So, all these actions are related to this "Bringing Back Romance To Retail." So the first action that we have already taken is we have launched a new brand campaign which is already up in south as well as east and we are already seeing good results in the east zone. #2, we believe that we should also utilize lot of contemporary events. So working on the current event of cricket fever, we unveiled the largest cricketing bat in the world which is 160-feet, worth seeing it and you will find it in our press release, although the picture is not here, we will post it up post the event. #3, we have launched number of new brands within the store and the biggest brand launch I would say across India will happen in the coming 10-days' time, the brand is called Rheson. Rheson is the first brand from Sonam Kapoor and Rhea Kapoor. They have treated it for the youngster pretty well. I am pretty confident that this would be the brand for future especially for fashionable street wear and that should definitely define the kind of customer that would start coming into Shoppers Stop and make it more younger.

We also launched a new Designer Hunt Contest called Doty and the final of Doty will happen between last week of May to 1st week of June. This is really trying to find the latest designer talent within India across the design schools and not only do we identify the talent, but we will also have the talent designing line for our private brands. That again should start impacting our private brand sales from Q3 onwards because this line will come into play. So lots of action happening in terms of building the brand, getting the traction into the brand and also making the stores more lively and more experiential. So all these inputs in our opinion should drive our like-to-like sales between 6-7% in the coming year and also drive our EBITDA margin between 40 to 50 basis points up. That is the track that we believe has already started off pretty well in the month of April and we are also

seeing similar traction already in May. As I also mentioned earlier, our omni-channel is very much on track and we are seeing very good growth in Q4 of more than 50%, by September, we should be fully omni-channel and from second half we should further see the traction going up, keeping with the promise of within three years' time to take online at about (+10%) share.

So coming back now, let me talk of the consolidated result and then I will open the forum for questions: So consolidated financial for Q4, Retail sales up by 6% at Rs.1309 crores Vs Rs.1228 crores last year, margin on sale up by 3%, although percentage margin is down by almost 100 basis points. EBITDA from Rs.37.1 crores last year at Rs.31.1 crores, that is down by 16% and as a percentage it is down from 3% to 2.4%. As I mentioned earlier, there is Rs.12.8 crores exceptional items here, reflecting the new enterprise value of NGIPL, as a result we are seeing PBT first at Rs.20 crores Vs Rs.19 crores of last year and PAT at Rs.25.4 crores Vs Rs.(-8.94) crores. But we are currently pretty confident on the way ahead for us. We are targeting five stores openings in the Department Store format, five stores openings in the Speciality Retail which is the Beauty format and we are targeting one store opening in the HyperCITY format and we are relooking at resizing of at least three stores in HyperCITY and renovation and resizing of about five stores in Shoppers Stop. So all these measures will impact our profitability and productivity and will drive our overall profitability in the coming year. I also believe the next year is going to be a full turnaround year across all the formats and should also lead us towards the free cash flow. That is all from my side. Now, the forum is open for all the questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We take the first question from the line of Avi Mehta from India Infoline. Please go ahead.

Avi Mehta: Sir, just wanted to understand, you indicated that there were store closures, I mean, specific large stores that were not there and which has kind of impacted. Could you share the SSS growth adjusted for these stores?

Govind Shrikhande: So basically the size of these stores matter, Avi, for example, the #1 impacted store is Malad Inorbit, it is Rs.150 crores plus number store in terms of size. So when it degrows by about 15-18%, it has an overall impact. That is a store which is more than five years. Same thing our South City Store in Kolkata, again more than Rs.100 crores store, degrowth at more than 30% because the mall is under full renovation. So there are factors that are beyond us but yes, when these renovations get completed, these stores will come back more healthy and more stronger, but that would happen, South City would happen by Q2 end and I am sure it will recoup all the number drop that we have seen. But Malad will continue because the metro work is likely to continue at least for 18 or 24-months.

Avi Mehta: Sir, you are saying that these stores will continue to have some impact even the half of FY'18 and you are expecting the 6-7% SSS growth...?

Govind Shrikhande: In spite of those. Otherwise if these stores were running properly, with the kind of plans that we have made, we should have been crossing 8% or 9%. So we have just entered the challenge in these stores to taper it down a little bit.

- Avi Mehta:** Do you think GST could be a potential disruption, have you factored that in and if you have, if you could kind of give us a sense of what is the expectation on disruption on that trend?
- Govind Shrikhande:** GST has I would say multiple dimensions to it; #1 dimension definitely it will make the entire industry more and more organized, that is for sure; #2 dimension as of now is the finance minister has said again and again that the rates will be revenue neutral. So if they are revenue neutral, we do not see big disruption on sales side but there could be some disruption on supply side. So I believe that Q2 we could see some amount of disruption but it should recover back in Q3 and Q4 because the customer sentiment currently is quite okay, it is not really very upbeat nor it is bad. So if we manage our supply chain well, I do not see too big a disruption.
- Avi Mehta:** If I may understand, how does this play out right now because you have a rental component as well which that the service tax even start getting benefit, could you kind of give me a sense on what is the cost related items now that we kind of coming closer and closer, what is the tax that you currently pay on the cost, service tax, etc., how would it kind of quantifies the percentage of sales?
- Govind Shrikhande:** Currently, the impact on service tax is about 130 basis points at overall level only on rent. If I add up everything maybe about 190 basis points. Now, again 190 basis points, we have to understand as per the new laws and rates how much can we set off. Our earlier understanding was that we should be able to get a set off up to 100 basis points but as of now that clarity is still not there and we have to also wait and understand what the sunset period given for the tax already paid out. I think those clarities have yet to come, Avi. For us to confidently tell you that will we benefit fully or will we have partial benefit, I think we will have to wait another week or so because my last understanding was this week they are going to announce the rate.
- Avi Mehta:** I was just trying to kind of get the sense because that also would mean a margin benefit coming in which you may not have or you would not have factored in, correct sir?
- Govind Shrikhande:** As of now we have not factored anything.
- Avi Mehta:** Why did you say only 100 bps, sorry, just a clarification on that one sir?
- Govind Shrikhande:** Because earlier the understanding was that whatever you are paying on the service tax, you are able to get 60%, 70% set off against those was the earlier clarity given and some can be subsumed, some cannot be subsumed. Now, those clarities at individual line level are still not available, Avi. We will have to wait. Because the service tax is cutting across everything that you do, so that is why we will have to wait how does the treatment happen in the hands of the payee and in the hands of the retailer.
- Avi Mehta:** You said 40 to 50 bps same margin expansion, 6-7 high in Shoppers, and you said on Hyper, 40 bps margin ex-growth is what you build in. Is there an SSS growth expectation that you have over there as well sir?
- Govind Shrikhande:** Double digit I said is what we are targeting.

- Moderator:** Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** Sir, first question is you cut the sales season by around 10-days. But still your operating profit is flat. So would it not have been better if you would have had extended sales season, you would have got at least some profit, right, you do not sell sale season materials at a loss, right, in terms of EBITDA level?
- Govind Shrikhande:** No, we do not sell merchandise at loss at all because typically that merchandise is mainly coming out of brand, so you do earn a separate margin. But I think there are two things, Abneesh here – One is related to the fact that our private brands did not perform, that is why the margin is actually down very clearly and #2, we also wanted to take up within the industry and within the brands that I think we have to cut short the sale period. I think what really happened is every one of us is chasing the top line for no rhyme reason. I think somewhere we have to stop it and we decide that this quarter onwards we will start taking the stand and gradually I think we will have to move to 45-days and lesser sale period every season.
- Abneesh Roy:** But are other players responding, for example, this week, Flipkart and Amazon are having sale season, so...?
- Govind Shrikhande:** There is not even sale season, they are permanently on sale actually.
- Abneesh Roy:** Yes, but other physical retailers, are they cutting back because if only you cut back...?
- Govind Shrikhande:** Not yet.
- Abneesh Roy:** Then it does not help at all, right?
- Govind Shrikhande:** No, so I think we have to understand what will make the customer take, right, for example in April-May, we have not really done any sale, but we are still able to get the double-digit like-to-like growth.
- Abneesh Roy:** Why is that happening – Baahubali effect?
- Govind Shrikhande:** Baahubali has just come last week. But I think what we have to all do is raise our bahu and forget all the bali or sale. Because I think everyone is using the sale as the bali ka bakra and pushing sale. I think we have to all go back to the metrics of shopping is all about grid assortment, shopping is all about grid experience and that is where I mentioned that the whole title on which we are working is “Bring Back Romance To Retail” which is again if you look at Baahubali it is the scale of Baahubali which is making it Rs.1,000 crores sale. So I think that is very important that sometimes you have to let go of the short-term objective and really start rebuilding towards the long-term objective which is what we are attempting.
- Abneesh Roy:** In private labels, what is happening because if we see other listed players, there private label seem to be doing much better, in your case the idea was to take it to a higher percentage of sales, on the

other hand it has decreased by 200 bps. So you have been trying, it is not that you have not been trying, last year also the intent was to increase the exit rate. But then what happened, sir?

Govind Shrikhande: I think our range has not worked. I think we have to go back to the range, we have to go back and understand what will click with the customers, so I think it is clearly a range failure for us and we are looking at what is the point within that. What we have also seen is yes, it is not that there is 100% failure across, there are ranges that we have seen and worked well. But I would say majority of our ranges have not really worked and that is why you are seeing the numbers. So I think we have to go back to the drawing board and rework on it.

Abneesh Roy: So it is a case of fashion designers or internal/external, what is the plan, I am still not getting what will change here?

Govind Shrikhande: No, you have to change not only the design concept but the brand positioning as well.

Abneesh Roy: On the Mother Care and Home, those two also have been laggard. So are you going to defocus on both of these businesses? Mother Care has its own business in India also.

Govind Shrikhande: Home's degrowth is primarily come out of the defocusing on Home because we have actually shut down some of the Home Stop store last year and that number that I told you, the negative number is coming out of that or we have reduced area for Home, whereas we have given that area back to Personal Accessories or Beauty, which continues to grow well. So we already defocused on Home very clearly. Mother Care also we have defocused and yes, it will come back on track by the second half of this year because now DLF is actually managing Mother Care.

Abneesh Roy: So it will come back in the second half?

Govind Shrikhande: We have now moved out of directly managing it to making it a consignment SOR model.

Moderator: Thank you. The next question is from the line of Dimple Kotak from SKS Capital. Please go ahead.

Dimple Kotak: Sir, as you mentioned in your initial remarks that you will be investing in infrastructure, marketing vigorously for the next four to eight quarters. So what is the kind of investments in total you are looking at?

Govind Shrikhande: If you look at CAPEX investment for the next financial year, will be in the region of Rs.100 crores across all formats, including new store openings, renovation, IT and infrastructure. On Marketing, I would say it is a different number altogether because that is directly going into P&L and not really CAPEX kind of investment. But I believe we would invest at least 20-25% more than what we have done in the last two years' time.

Dimple Kotak: So then initially will we see certain pressure on your margins because...?

Govind Shrikhande: If it directly drives the top line growth, it should pay for itself.

- Moderator:** Thank you. The next question is from the line of Avi Mehta from India Infoline. Please go ahead.
- Avi Mehta:** Is there any guidance on debt that you want to give out... how do you expect debt levels to kind of play?
- Govind Shrikhande:** As of now, we believe that as I mentioned by the last quarter of this year we should be able to move towards the free cash flow. So I would say the debt will not go up for the whole year and it should start pairing down from the next financial year.
- Sanjay Chakravarti:** So we believe that we should be able to pull down debt by about Rs.30-40 crores in the standalone balance sheet as of the end of this financial year.
- Avi Mehta:** What is the current investment in HyperCITY right now?
- Sanjay Chakravarti:** We currently have total of Rs.474 crores invested in HyperCITY
- Moderator:** Thank you. The next question is from the line of Harit Kapoor from IDFC Securities. Please go ahead.
- Harit Kapoor:** Just wanted to check on Hyper. So what is the expansion plan for the next two years? Also, the second thing was your path towards EBITDA-positive over the next three-four quarters if you could just outline how are you going to go about for the next three-four quarters on cost as well as on SSG?
- Govind Shrikhande:** So, let me first take the store rollout. We are not targeting to open too many stores over the next 24-months period, only one store opening in the coming year and maybe another one store in the next to next year. So two-to-three store openings over the next 24-months period, that is one. Second is we are also working as I had mentioned right sized during the next financial year which should directly help both the bottom line as well as the productivity. #3, as I mentioned, we believe now that the kind of focus that we brought on the merchandise assortment store experience will directly lead to double-digit like-to-like growth. That is what we are targeting for the next financial year. Combined with the cost reduction, combined with the margin growth of 40 basis points, we believe between Q3, Q4, we should be able to hit company EBITDA-positive. Now based on the restructuring of the equity, we believe the EBIT path will be much clearer, but I would say that the attempt definitely over the next 24-months period to be EBIT-positive and then take it to the next level.
- Harit Kapoor:** Two questions on that; firstly, on restructure of equity, any more information on that? The second thing is what is the amount of square feet that we are looking to right-size for this year?
- Govind Shrikhande:** So rightsizing of square feet about 100,000 all put together in HyperCITY. In terms of guidance for equity restructuring, frankly, I do not have anything to tell you or share with you today. Maybe, in a quarter's time, we will be more clearer.

- Moderator:** Thank you. We take the next question from the line of Anand Krishnan from Kotak Infina. Please go ahead.
- Anand Krishnan:** Just a question with respect to what the management have actually learned from the demat issue and probably what does it actually just incorporate it in the business so that we could just get like-to-like comparison between what demat is doing and what HyperCITY is not doing, right?
- Govind Shrikhande:** I think it is wrong for us to discuss the competitor in detail here, but I would only comment two things that very clearly, common sense works everywhere and I think when you stick to a plan and execute a plan well, the common sense starts becoming treasure. I think that is what I would comment on demat. I think demat's positioning is very different than HyperCITY. So Hyper is positioned for the upper end of the middle class customer. It is positioned for discovery, it is positioned for freshness, and it is positioned so that you can come and shop for a long time within the store. Our demat position is very different, it is very value-focused, come, shop, move out. That is the kind of model it is. I think it is a great model. I think they have been able to fine-tune it well and taken it to the next level. Great job. I think we have to stick to our kind of model, our kind of customer and make it work. I think we should be able to make it work as I mentioned earlier by Q4 onwards.
- Moderator:** We take the next question from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.
- Kunal Bhatia:** Just wanted to know the CAPEX plan in terms of Shoppers Stop as far as the number of store openings are concerned, what is your target for FY '18 and '19? Just wanted to reemphasize on, you have mentioned 40 basis points improvement on the EBITDA margins in case of Shoppers Stop as well?
- Govind Shrikhande:** Yes, so two points I did not mention that we are targeting five store openings in '17-18. '18-'19 would be about four stores again and so overall CAPEX within both the year, when I look at all formats will still will be Rs.100 crores each currently, maybe '18-19 could be slightly lower because our IT investments would have been more or less over by that point of time, but as of now, safe to say it will be around Rs.100 crores each. On the margin improvement, fundamentally, it will come out of two things - one is faster like-to-like growth, some amount of mix improvement and majority of it will come out of cost saving.
- Moderator:** Thank you. We take the next question from the line of Abhishek Jaiswal from Rathnabali Capital. Please go ahead.
- Abhishek Jaiswal:** Just one question on the rental side. How do you see the rentals going forward in the next two years and do you enjoy any bargaining power of the existing space?
- Govind Shrikhande:** Rental typically, we signed a store for a 15-year plus lease and there is a built-in class of 15% escalation every three-years. So on an average; it is about 5% escalation per year, last two years, we have seen a similar number, 5-6% escalation, going ahead also, I see a similar number. The big advantage of a lock-in agreement is that you are never threatened about a new number. Yes, the

overall rentals in key malls continues to harden. But if we have a strong agreement, frankly, you do not have much to worry about. So, I clearly see that the challenge really is not too many malls are going to open up. So if the supply is going to be weak, there would be some hardening of rent for sure, but will not affect us in the short-term for sure.

Abhishek Jaiswal: If you can just give a sense like out of the number of stores that you operate, are they all on lease agreement basis or do you own some of them?

Govind Shrikhande: We do not own a single store, everything is lease.

Moderator: The next question is from the line of Mayur Gathani from Om Portfolio. Please go ahead.

Mayur Gathani: Just wanted to check, you said you will open four to five stores this year in Shoppers Stop and next year as well. Will there be any revamp or resizing of Shoppers Stop stores?

Govind Shrikhande: I mentioned about four stores.

Mayur Gathani: So four stores revamp plus 4 or 5 stores reopening?

Govind Shrikhande: Correct, new opening.

Mayur Gathani: Your current investment in HyperCITY is Rs.534 crores and the debt of 5% is 291, the balance portion is the equity that you invested?

Govind Shrikhande: No, Rs.290 that you see is external debt and Rs.534 includes Rs.96 crores of internal debt which is really ICD, the rest is equity.

Mayur Gathani: So this is your 50% share?

Govind Shrikhande: Not the 95 but the equity.

Mayur Gathani: So that equity of that balance is your 50% share, the balance promoters have put in.

Govind Shrikhande: Correct, in the equity number, the equity represents 51%, the balance the promoters have put in, the Rs. 96 crores of ICD is 100% Shoppers Stop payable on demand.

Mayur Gathani: You as of now had no position to say what is happening on the equity structure because earlier I thought that was by Q4 that you were expecting something to happen?

Sanjay Chakravarti: Which is what we have targeted. As of now, unfortunately, we cannot give you any kind of concrete guidance of where it is going but the efforts are still on.

Moderator: Next question is from the line of Sameep Kasbekar from MK Global. Please go ahead.

- Sameep Kasbekar:** We have seen our other expenditure decline YoY in this quarter and you also mentioned about how our cost saving measures are likely to help us boost our margin. So could you just highlight little more what exactly we are doing in terms of our cost saving measures and is the lower other expenditure also an outcome of that?
- Sanjay Chakravarti:** You are probably seeing this, Sameer from the Reg. 52 and the Clause 41. The other expenditure drop is really a regrouping as per IND AS. So it is not really a drop per se, but on the cost efficiency is what as Govind mentioned even with the sales rising faster than cost, you will automatically see the efficiency of cost coming in through as a percentage to sales. So whilst total chain sales is expected to grow between 10-12% on YoY, we do not expect cost to grow at more than 7-8% YoY.
- Sameep Kasbekar:** This regrouping is done for base share also?
- Govind Shrikhande:** Yes.
- Sameep Kasbekar:** So then it will be on like-to-like basis, right?
- Govind Shrikhande:** Yes, but the drop that you see is offside by the other lines which have gone up. So even between that regrouping between the lines, there is a gap.
- Moderator:** Thank you. Next question is from the line of Harit Kapoor from IDFC Securities. Please go ahead.
- Harit Kapoor:** Just one follow-up on HyperCITY. Is there any update on the property options part on the sale plan?
- Sanjay Chakravarti:** No, as of now, there is no update, Harit on that.
- Moderator:** Thank you. That was the last question. I now hand the floor over to Mr. Govind Shrikhande for his closing comments. Over to you, sir.
- Govind Shrikhande:** Thank you, friends for joining the Q4 Con Call of Results. We will again chat after the Q1 Results. I am sure this quarter should bring in change of fortune for the Retail business as well. I am sure all of us are waiting the GST numbers and the GST tax rate as to how it will impact the overall industry, not Retail but all industries cutting across. So by the time, we chat next time we should be very clear on where GST is heading for, and I am sure it will bring in good news as well. Thank you once again and see you next time.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Shoppers Stop Limited, we conclude today's conference. Thank you for joining. You may now disconnect your lines.