May 16, 2022

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National Stock Exchange of India Limited
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Mumbai – 400001

NSE Symbol: MANYAVAR

BSE Scrip Code: 543463

Sub: Transcript of Earnings Call of Q4 and FY 2021-22

Ref: Our Letter dated May 6, 2022 regarding prior intimation of Earnings Call of the Company

Dear Sir/Madam,

In accordance with Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Earnings Conference Call, organized and held on Tuesday, May 10, 2022 in relation to the Audited Financial Results (Consolidated and Standalone) of the Company for the quarter and year ended March 31, 2022 (Q4 and FY 2021-22).

The transcript can also be accessed on the Company's website, from the link given below:
https://www.vedantfashions.com/investor-presentation

We request you to take the above information on record and disseminate the same on your respective websites.

Thanking you.

For, Vedant Fashions Limited

VEDANT FASHIONS LTD. KOL-15

Navin Pareek
Company Secretary and Compliance Officer
ICSI Memb. No.: F10672

"Vedant Fashions Limited
Q4 FY2022 & FY2022 Earnings Conference Call"

May 10, 2022

ANALYST: **MR. MANOJ MENON - ICICI SECURITIES**

MANAGEMENT: **MR. VEDANT MODI – CHIEF MARKETING OFFICER – VEDANT FASHIONS LIMITED**
MR. RAHUL MURARKA – CHIEF FINANCIAL OFFICER - VEDANT FASHIONS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Vedant Fashions Limited Q4 FY2022 and FY2022 Earnings Conference Call hosted by ICICI Securities. 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 "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you and over to you Sir!

Manoj Menon: Hi, everyone. Depending on the part of the world you are joining the call from a wonderful good morning, good afternoon or a good evening to you. Representing ICICI Securities it is our absolute pleasure to host the management of Vedant Fashions Limited today for the conference call. The company is represented by Mr. Vedant Modi – Chief Marketing Officer and Mr. Rahul Murarka – Chief Financial Officer. During times like these when discretionary performance have definitely outperformed I would say FMCG or consumer staples, the results what we saw from Manyavar in our opinion have definitely beaten the company's expectations. We were privileged to be part of the Manyavar IPO few months back. Now over to the management for the opening remarks and the Q&A after that. Over to you, Sir!

Vedant Modi: Good afternoon and a warm welcome to all the participants. I am Vedant Modi, Chief Marketing Officer of the company. Thank you for joining us today to discuss the Vedant Fashions Limited Q4 and financial year 2022 results. I am joined by Mr. Rahul Murarka, Chief Financial Officer of Vedant Fashions. I hope everyone got an opportunity to go through our financial results and investor presentation, which have been uploaded on the stock exchange as well as the company's website. Vedant Fashions Limited is the India's largest celebration wear company with Manyavar being a category creator and leader in the branded Indian wedding and celebration wear in markets for men's. We have multiple brands in our portfolio such as Manyavar, Mohey, Twamev, Manthan and Mebaz, which are positioned to target customers across different demographic segments.

Our pan India 595 exclusive brand outlets are dominant channel for the company. Despite the third wave of COVID, which had affected the first half of Q4, we are proud to announce that we had a good quarter in terms of strong retail sales coupled with decent growth. We as a company have emerged stronger out of COVID. Performance of the fiscal year has been very encouraging. In Q4 we have opened net square feet area of around 57000 square feet and 17 exclusive brand outlets. As of March 2022, these additions bring the tally of VFL EBO area up at 1.27 million square feet globally spanning across 595 stores in 223 cities and towns nationwide.

In addition to the network expansion, I would like to highlight few of our marketing and branding campaigns with megastars like Sri. Amitabh Bachchan and youth icon Mrs. Alia Bhat during the quarter. The #TaiyaarHokarAaiye campaign featured Mr. Amitabh Bachchan and was aimed at increasing brand salience and drive a behavioral change. The campaign has tried to capture the soul of an Indian wedding and position Manyavar as the preferred brand for wedding occasions. On the other hand to improve brand recognition of Mohey, we created the campaign Dulhan Wali Feeling featuring Mrs. Alia Bhat. This campaign was targeted to connect with the women of today one who is independent yet has close ties to the Indian culture. The campaign highlights the range of emotions, which a bride goes through in various times in a wedding journey.

On a branded level we can see that the fundamentals of the business have been sound, robust and encompassing. During the first 40 days of this financial year, we are seeing robust performance in our store network. This will be the first quarter after two financial years in which the restriction on number of wedding attendees have been lifted. Considering this, we expect good market traction and promising outlook for the new financial year. With this, I would now hand over to Mr. Rahul Murarka, our Chief Financial Officer to take you through the financial performance of the company for the Q4 and the year under review. Thank you.

Rahul Murarka: Thank you, Vedant. Namaskar and good evening everyone. I would like to highlight the key financial performance for the Q4 and financial year ended March 31, 2022 based upon the consolidated financial statements of the company. Despite of COVID impact year, the company has reported strong financial revenue and return during FY2022. Starting from FY2022 update, the company reported revenue from operation of 1041 Crores during FY2022 delivering a very strong growth of 84.3% compared to FY2021. The company continues to report industrial leading gross margins of around 67% during FY2022. The EBITDA margin was around 50% and the EBITDA stood at around 521 Crores during FY2022 with the growth of around 85% compared to FY2021.

The reported PBT during FY2022 is 423 Crores, which has significantly increased by 132.5% compared to FY2021. The company reported best-in-class PAT margin of 30% and profit after tax stood at 315 Crores during FY2022 with a significant growth of 137% compared to FY2021. The company also has reported industry leading ROCE of 75% during FY2022.

Now coming to Q4 performance update. During Q4 FY2022, the company has reported revenue from operation of 296 Crores delivering a very strong growth of around 55% over Q4 of FY2021. The EBITDA margin was around 50% and the EBITDA stood at 147 Crores for Q4 of FY2022 as against 91 Crores in Q4 of FY2021 with a growth of around 62%. The company reported PAT margin of around 30% and profit after tax stood at around 89 Crores for Q4 of FY2022 with a growth of 86% over Q4 of FY2021.

The net EBO store area, which was added in Q4 was 57000 square feet with total presence of 1.27 million square feet as on March 31, 2022. Sale of our customers was around 1474 Crores during financial year 2022 and grew by 76% compared to FY2021 with SSG growth of around 65%. The sale of our customers during Q4 of FY2022 was 398 Crores with growth of around 45% compared to Q4 of FY2021 with SSG growth of around 33%. We are very happy to share that the board of directors of the company at its meeting held on May 9, 2022 have recommended annual dividend of Rs.5 per equity share, which is approximately 40% of PAT of the standalone financial statement. With this I would like to thank everyone and we can now move to the Q&A session.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Sir, my first question is on the women's wear segment. With Manyavar we have become a clear market leader in the men's wear segment for wedding and celebration wear, but the women's wear segment is significantly larger overall including unorganized, etc., in the space, what really do we need to do to replicate the success of Manyavar in the women's wear segment as well and what are the differences in the challenges or the differences in the key success factors between the men's and women's wear?

Vedant Modi: Thank you for your question. Percy. So, we launched the brand Mohey in early 2016 and ever since then when we launched, we launched with all women ethnic wear category and we understood that our nucleus would be lehengas and sarees for the brand. We were testing out different categories and we are very bottom-line focused company and efficiencies in the backbone of the way we work, so the brand has been EBITDA positive ever since we started and there has been multiple sort of workings that we did at a category level. When we understood that lehengas and sarees will be the nucleus, we launched the independent marketing campaigns in 2019 and ever since then we saw a very good growth in the brand with Alia Bhat as the face of the same. Talking about sort of differences in challenges, I mean the overall core learning that we had is that we need to focus on a few categories, get them right, make that a proper category to work on and then move on to creating newer categories in the brand and I think all the underlying fundamentals of the brand in terms of inventory management to the kind of conversion rates we see at the store level have all been very promising and that is why moving on the new financial year we have also decided to open about 6 to 7 exclusive brand outlet doors followed by the first EBO, which we had opened in the new market area of Kolkata for Mohey.

Percy Panthaki: Vedant, I understand that Mohey products are not available in all your 595 stores, they are available only in a fraction of that, so what is the thought process behind that and why not just make at least the product available in all the stores, so that whenever there is a couple walk-in, etc., you can try and do the cross sell there?

Vedant Modi: You see, the idea is that we opened Mohey in every flagship store, which we open for Manyavar, otherwise, if we are opening the Mohey in any store, which is less than 3000 square feet we would not be doing justice to the brand, neither would there be enough space for the brand to operate in, so in order to justify the space required for Mohey the whole strategy is to open it in flagship stores, which tend to be more than 3000 square feet of retail space. Currently, Mohey is available in across 99 doors of our Manyavar flagship stores.

Percy Panthaki: How do you expect this number to trend, let us say three years down the line this 99 would become what kind of number approximately?

Vedant Modi: I am sorry, I would not be able to give you any guidance on that, but like we have been mentioning before the overall strategy in terms of new retail expansion is to drive growth through more flagship stores, so you can expect a larger percentage of a fleet to have Mohey as we grow and move into the future.

Percy Panthaki: Right, my second question is on the town opportunity for Manyavar. You are present in about 220 odd towns, over the next five years or so, how many towns do you think sort of there is a scope for you to open a Manyavar stores so how many can you go from 220, can you go to 400, 500, what is that number and how do you determine that number, do you sort of have at the back of your mind some kind of metric saying that any town with a 2 lakhs or a 3 lakhs population plus can accommodate Manyavar store?

Vedant Modi: Yes, there is a overall logic, so we have come out with about 120 to 150 cities in India that we want to open our new stores in where we are currently not present and there is a logic behind that in some cases the logic is a certain set of population, in some other places the logic is the catchment of that particular tier 3 city based on the kind of market it has in the whole catchment of that region, so that is how we have come up with that whole sort of calculation of about 120 to 150 towns that we want to enter in as part of our growth strategy of taking the overall retail footprint to 2.2 million square feet.

Percy Panthaki: Right and last question from my side, one is the COVID base normalizes on a continuous sustainable basis, what is kind of same store sales growth do you think you can clock?

Vedant Modi: We would not like to give any guidance on that, but internally as a company, we aim to achieve a good single digit SSSG growth in a sustainable future that is what we aim to achieve as a company internally.

Percy Panthaki: Okay, that is all from me. Thanks and all the best.

Moderator: Thank you. We will take the next question from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: Sir, thank you so much and congratulations Vedant on the strong performance. Two questions from my side, Rahul first to you, if I look at the conversion from primary to secondary sales, I do notice that there is a divergence whether it is from Q3 quarter or versus say the similar quarter of last year, you did highlight that obviously there was some placement which has happened at the end of Q3, but if you could just highlight anything specific this quarter and how to look at this number going forward, I will come to the second question after this?

Rahul Murarka: So, typically in our case we are continuously reviewing or monitoring our secondary and primary sale and all our replenishment happens based upon the sale to our customer from our exclusive brand outlets, so both the primary and secondary sales and replenishment goes in the same direction, however, the difference that you find is because of the new store openings, so that is where you will see maybe some higher percentage from a financial perspective in terms of the primary sales growth over secondary revenue growth, so that is one reason new store opening where you can see the difference, but otherwise it moves in a similar direction as it is more similar on financials.

Nihal Jham: Just to confirm, are there any impact of the closing inventory last quarter or Omicron impacting them, which could have impacted this number or would not be a consideration that in the quarter?

Rahul Murarka: So, typically January is one of a very good month for us because there are lot of weddings in January and February, so frankly speaking yes, because of Omicron we were expecting higher revenue in January and February, but despite of that we have been able to have a very strong Q4 quarter I would say, so yes, you know without Omicron we would have had a better Q4 results for sure.

Nihal Jham: Sure, the other question was one of the key initiatives that we are trying other than the expansion of Mohey, is the fact that we are trying to increase the share of wedding attendees obviously which end up shopping for the brand Manyavar, so based on may be the data of SKU pricing that you have, do you have a sense of how that has been picking up and if there is a approximate share of that how it is moved over the years?

Vedant Modi: Yes, absolutely, so the key part with the whole #TaiyaarHokarAaiye campaign, which was to drive a behavioral change in Indian men to dress up for the wedding whereas when we did our research, we found that about 90% to 95% of the women dress up according to an occasion, however only 5% of the men dress up according to an occasion for the wedding so this was a basis of starting the #TaiyaarHokarAaiye campaign to drive more men to dress up in Indian weddings, but the catch was that we only launched this campaign in 2019 and we were hit by COVID right after in 2020 so the last two years were extremely disrupted, however, when we look at the new financial year trends in April, the performance of the wedding attendees coming back to the stores are extremely encouraging and I would be happier to share these numbers in our next quarter earnings call about how the whole #TaiyaarHokarAaiye campaign is kind of phasing out for the wedding attendees.

Nihal Jham: Sure, I will wait for that and just one the last thing is that you have shared the two-year SSG last time, now is it possible to share that?

Vedant Modi: So, are you looking at the Q4 FY2022 versus Q4 FY2020?

Nihal Jham: Yes, and if it is possible from Q4 2019 if it is handy with you?

Vedant Modi: So, sharing Q4 FY2022 versus Q4 FY2020 is at 1.6% SSSG growth despite half of Q4 FY2022 going away in COVID when January and February actually seem to be the best wedding shopping season, which was quite heavily disrupted due to COVID, so we saw 1.6% growth in terms of SSSG comparing to pre-COVID levels.

Nihal Jham: Sure, that answers. Thank you so much and I wish you all the best.

Moderator: Thank you. We will take the next question from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity and congratulations for the good set of numbers. My first question is with regards to that if you can share the consumer level sales for a brands of Manyavar and Mohey and the other brands for the year FY2022 and also along with it the contribution from the EBO stores for FY2022?

Rahul Murarka: So, the contributions from EBO store is around 90% it has been there historically also on over customer revenue, as far as brand details are concerned all our brands like Mohey, Twamev, Manthan they are all new brands and all of the brands are doing very well, strategically we are not disclosing the brand wise details during calls and discussion and we are happy to do that once we decide to share those numbers once we achieve a particular size.

Gaurav Jogani: Sir, just if you can share for Manyavar which are the big brand for you, I think you had shared that in the DRHP also, so if you can just share for the that?

Rahul Murarka: On the Manyavar you are saying?

Gaurav Jogani: Yes, Manyavar consumer level sales for FY2022, if you can share that?

Rahul Murarka: Total was as I was mentioning over my presentation it was 14736 million that was a company total and it grew by 76% the sale of customer compared to FY2021 and I would request Vedant to also add upon.

Vedant Modi: So, in terms of different brands as Mr. Rahul was mentioning, all of brands underlying fundamentals have been performing really well with Mohey re-pinching good traction. In terms of Twamev because of the aspirational consumers that were already walking into a premium stores we have seen a very good growth and all these brands such as Mohey and Twamev are ready for the next level of growth. With Mohey we will be opening the six to seven exclusive brand outlet, similarly for Twamev we will also be opening the five to six exclusive brand outlets in the upcoming financial year and as far as the brand wise numbers are concerned, we would be happy to share them once we have sort of scaled up to a number where we strategically feel that it is fair to start giving out the numbers of those brands individually, but internally we track them very heavily and they have all been performing well.

Gaurav Jogani: Sure, my next question is with regards to the gross profit margins that is ex of if you taking off the job work charges I mean they are healthy if I compare it with the FY2019 level it is around 65% odd, and now doing around 67%, so how much of this is sustainable going ahead or is it because of some advantage due to this particular year and how much of is sustainable?

Vedant Modi: Gaurav, efficiency is the core of this company so there have been a lot of work that we have been doing on our inventory replenishment algorithm in order to further optimize our inventory, lower our dead stock levels, there has been further work going on into a demand generation program in order to calculate demand even more better, so it is a result of efficiency and we are seeing a very good gross margin levels of about 66% to 67% in the last two years and we would like to believe that we would be on a similar path moving forward as well.

Gaurav Jogani: Sure, and just last question with regards to the quarter, so I mean I see the other expenditure ex of the job work charges they have hardly grown by around 3 odd Crores if I compare from Q4 FY2021 to Q4 FY2022, so if you can highlight what has been the key saving areas here?

Rahul Murarka: The other cost if we exclude the lease cost other than job charges you are mentioning?

Gaurav Jogani: Yes.

Rahul Murarka: Right so if we accumulate that more or less it has grown by around I would say 2 Crores hardly that is the increase Q4 2022 versus Q4 2021, it is majorly because of increase in revenue because of freight expenses, commission expenses all expenses which are linked with revenue, generally it increases as revenue increases, so you can see that our Q4 revenue compared to last year it has increased by 55% so as a result couple of those other courts have also increased.

Gaurav Jogani: No, actually what I was asking is, there is hardly any increase of the other expenditure except of the job charges it is around 2 to 3 Crores odd, so I mean which have been the key saving areas for you here?

Rahul Murarka: We are working on a variable model if you will see our manufacturing process also it is largely outsourced and a lot of our other products are outsourced so basically other than that we are left with very few fixed overhead cost and that is the main reason when we compare and do a lot of cost efficiency which we always work upon on a continuous basis because improving cost efficiency has been the DNA of the company over the years, so from that prospect if you will see that we have been able to control our fixed overhead cost and that is the reason you see very minimal growth in other costs compared to last quarter.

Gaurav Jogani: Sure, Sir. Thank you for answering my question.

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

Devanshu Bansal: Sir, congratulations on a very good performance in Q4 as well as in FY2022. I just wanted to understand you have done about 1500 Crores of customers level sales in FY2022, this is despite Q1 and Q4 being impacted due to lock down, so just wanted to understand is there an element of demand deferred during the year into FY2023 as well or FY2022 is a good normal base to base our projections?

Vedant Modi: So, that is a good question, it is very difficult to answer on a overall level, but what we feel is that a lot of the demand that was deferred in Q1 was actually taken care in the other three quarters of the overall financial year level; however, we still saw that a lot of the wedding attendees were not entering the stores because there were still COVID related restrictions and overall the last eight quarters were disrupted somehow or the other, the first quarter which is the ongoing quarter is the first one we are seeing after two years where there are almost no restrictions in terms of COVID with all the wedding attendees returning back to our stores, so that will of course be a good lever of growth for us as we move on to the next financial year. In terms of the wedding numbers it is difficult to comment, but we believe that a lot of the pent-up demand was taken care in the year itself; however, there would definitely be some or the other weddings that was postponed to this financial year.

Devanshu Bansal: Thanks, that is helpful and secondly wanted to understand you have added about 15% retail space in FY2022, what is our target for FY2023 and you guys have mentioned that you have a target of doubling the retail space so by when do we plan to double this?

Vedant Modi: So, in terms of our historical trends we have been growing at a CAGR of about 16% odd in terms of increasing our retail footprint, so as a company our internal aims are to achieve similar levels wherever there is a opportunity we will seize on it there is definitely no restrictions on the kind of growth we can achieve at footprint and that is how we operate. In terms of any guidance, we would not like to give any particular number of growth for the coming years. We will continue to do what is right in terms for our business and grow in that particular direction. When I talk at a strategic level there are three strategies that we follow for growing our retail footprint, the first one is entering the new 130 to 150 odd cities, which we just spoke about, the second strategy is to enter in the new markets in our existing cities where we are currently not present and third strategy, which is the innovative strategy, which is true for Manyavar is that there are certain key markets in India where there is room to further increase our market penetration. Take for example markets like commercial street in Bengaluru and park street and new market areas in Kolkata where we had about one store to start in 2009, now we are at about four stores in those markets, so we continuously expand in those regions and increase our market share, so those are the three strategy we will be following and we are very confident of a sort of delivering similar numbers as we have.

Devanshu Bansal: Sure, Sir, that is really helpful. Lastly, I wanted to understand from the working capital point of view our inventory receivable days have reverted back to the pre-COVID level, but there is an increase in the other liabilities by about 50 Crores, so what is the reason for that?

Rahul Murarka: In terms of number are you saying 50 Crores increase in liability?

Devanshu Bansal: Yes, it is in two-line items, other current liabilities and other liability?

Rahul Murarka: So, there are two things that are coming in than other current liabilities, one is the refund liability, which is a provision which we make for a sales return, so that had increased by 10 Crores around, so we make a provision for sales return every year and every quarter, so that has increased with our increase in revenue, apart from that we also have received advance from our customers for one apart we had one land which is appearing in capital advance for which we are into a JD contractor joint development agreements with one of our developers and we have received 10 Crores of money in relation to that capital advance so these are the two components because of which you have an increase by around 20 Crores.

Devanshu Bansal: So, what do we expect for these items going ahead, so we should also grow with the sales, how should we project the line items?

Rahul Murarka: Apart from that there was other liability also which you are mentioning under financial liability that has also grown because of security deposits, so that is around 12 Crores, now wherever we open a new store we receive security deposit, so as we grow, as our business growth, as we open new stores franchise the security deposit amount is going to grow in future, it will also increase in future, so that is an increasing trend which you will see. In terms of advance from customer which I mentioned it was a onetime project and the onetime contract which is happening with the developer so we do not expect of course there would be some inflow of money this year also, but from future prospects we do not expect any further advance amount coming in this respect. As far as refund liability is concerned, which is provision for sales return, so that we are doing based upon historical trend of 8.2% and that will also increase as we increase in our sales volume because that is a provision which we are making on a conservative basis, so it will increase with growth in business volume also these two liabilities, one is security deposit and other is a refund liability.

Devanshu Bansal: Sure, lastly one bookkeeping question, so in the PPT you have mention that in India we have about 583 stores, so this 595 EBO's this is globally or is this is in India?

Vedant Modi: The remaining 12 stores are in our global countries, so we have about six stores in US and the remaining in UAE, we are also about to open our store in Southall in London this year in the current quarter and also we would be opening a store in Chicago, US this quarter.

Devanshu Bansal: And this includes 77 Shop-in-Shops as well, right?

Vedant Modi: Yes.

Devanshu Bansal: And the retail area that you provide it is only for EBO ex of Shop-in-Shops?

Rahul Murarka: It includes Shop-in-Shops also, the 1.27 million sq. ft includes Shop-in-Shops also.

Devanshu Bansal: Thanks, that is it from my side.

Moderator: Thank you. The next question is from the line of Shivam Saxena from ICICI Bank. Please go ahead.

Shivam Saxena: Sir, just wanted to know have you taken any price hikes to combat the increase in cotton yarn prices the raw material cost and how much be the price hikes?

Vedant Modi: We have not had any price hikes, as the company we like to not increase the price of any particular product, what we do as a continuous ongoing trend is to shift the product category mix, for example, if majority of our kurta offerings lies in the 2000 to 3000 range we slowly start increasing our offerings in the 3000 to 4000 range, so coming to your question for price when we compare Q4 FY2022 versus Q4 FY2021, we saw an ASP growth of about 4.8% and this was again primarily due to the shift in the category mix of different product categories, also as a company we work on what is known as perceived value, so we continuously focus on certain key products that if we are able to earn extra margin compared to others and those allowed us to offset the 10% to 12% sort of fabric cost increase that happened over the last two quarters and even in terms of the increase in costs when you look at our company and the nature of our product, fabric only makes up 10% of the MRP component of our products, so when we look at the price hike on a MRP level it was only about 1% to 1.2% on a MRP level, so it was relatively easy for us to overcome.

Shivam Saxena: So, basically you are saying if the fabric price increases by 10% then it impacts the price only by 1% right, there will be no 10%?

Vedant Modi: Correct, we do not increase that 1% of all products; however, we start with a different product category by changing the mix and some products where the perceived value is very high we make up for those margins in those certain products.

Shivam Saxena: But, how do we see going forward these fabric prices going forward increase, stabilize, or what you would do?

Vedant Modi: It would be difficult to comment on the pricing of fabric, it is something difficult for us to answer.

Shivam Saxena: So you would be playing with the same strategy you are saying, like you will be shifting to higher value?

Vedant Modi: Relatively the overall idea is that our cost of goods sold, the major component is from the business of value addition, there is a lot of handwork that goes into a product in terms of stitching and embroidery, which is what forms the major cost of goods sold and given the sort of long lasting relationship we have with our vendors those costs have been relatively stable, the major price hike has been in the 10% fabric cost, which is any ways relatively a lot lower compared to other apparel manufacturers or retail brands.

Shivam Saxena: Thank you.

Moderator: Thank you. We will take our next question from the line of Ankit Kedia from Phillip Capital. Please go ahead.

Ankit Kedia: Sir, three questions from my side, first is on the store size, this quarter we have seen more than 3000 square feet odd size each store and our average size including Shop in Shops is around 2200, so going forward are we opening more flagship stores and will the store size b at 3000 odd levels incrementally?

Vedant Modi: So, the overall strategy of the company is that we want a higher share of our business to come from flagship stores as we move forward, so that will definitely be the case that we will be opening more flagship stores, larger flagship stores as we move forward, but when you ask about let say the median of the store could be difficult to comment on and we also continue to expand into tier 3 cities, we opened a store in tier 2 city also this year and entered that market, so the amount of stores that we increase it will consist of both relatively smaller stores and also the flagship and super flagship stores, so it will be a mix of all, but given today's average there will be a higher share of flagship and super flagship as we move forward.

Ankit Kedia: Sure, my second question is on your receivable days can you just share how does the receivable work with the franchise, so when a new store is opened do you take upfront revenue from franchise or he is given 90 days period till the time sales happen and then after that 30 days to recover the money, can you just throw some light on how the flow happens with the franchise owner?

Rahul Murarka: Sure, when you open new store, we take a upfront security deposit from the franchise so that is based upon our internal policies so that takes care of our working capital cost also on the very first day and then accordingly the replenishment happen which is happening on a regular basis, we have an auto replenishment mechanism also, and on a weekly basis we have a collection model that the products, which are sold we are recovering money from there, so that is our overall recovery and collection model we follow.

Vedant Modi: And adding on just in terms of what you are asking, yes, when we open a new store we book revenue on day one itself of whatever material we send to the store.

Ankit Kedia: So, the receivable days which we see 140-days odd, so if it is a weekly collection where does this 140 day receivable come from then?

Rahul Murarka: So, in terms of receivable days the manner in which we track and monitor is as follows, I would like to explain a little bit, if you see our balance sheet you will find a trade receivable amount, the way we monitor this we are seeing a receivable says of 53 days as on FY2022 on revenue and how we computer it maybe I will explain for a minute. As I mentioned that we take upfront security deposit on the day one so that is something which is grouped under secure deposit under liability as far as financial statements are concerned, we are also making provision for sales return against out debtor days, now if you net off these two amounts with my receivable amount then the net receivable days comes to 53 days on my revenue so that it is the appropriate manner in which we track internally and monitor the same.

Ankit Kedia: Sure, but if we get a security deposit is the inventory given to the franchise for four months, apart from security deposit do we not take money from them for those 120 days?

Vedant Modi: So let me just explain the way the whole statement works from a business perspective, we take an upfront security deposit from the franchise when we open a store which covers well more than the cost of goods we send to them. Now we book our revenue as a company when those products are shifted to the store and reach to the store and the franchise pays us twice every week as and when the product is actually sold to the consumer on the ground level.

Ankit Kedia: Sure, but if I look at last year's bank guarantee and security deposit FY2022 data I do not have, I have the FY2021 data, around 53 days of security deposit is there on our books as on FY2021 and even if I take the absolute amount of receivable days it comes to 180 and if I adjust for that it is still 130 days odd, so if we cover for the inventory which is paid why are the receivable days so high?

Rahul Murarka: So, on that first of all the amount of deposit which is appearing in the financial statement it is lower than the gross deposit, so I will just give you some example, like as on March 31, 2022, our actual gross deposit received **audio cut 38:49** around, but in the financial statement there is a discounting, which is done because of Ind-AS adjustment and as a result the liability which is booked in the financial statement is around 120 Crores to 125 Crores, but the actually deposit is 150 Crores, now if I net off this deposit with my receivable amount which is appearing and if I reduce the refund liability which is also appearing then you will arrive at a number which is 53 receivable days on revenue and in FY2021, yes, because of COVID you know the receivable, the movements were impacted, so in FY2021 the receivable days were much higher compared to FY2022 I would say.

Moderator: Thank you. We will take the next question from the line of Yajash Mehta from Kotak Mahindra Asset Management. Please go ahead.

Yajash Mehta: Congratulations on good set of numbers. I have two questions, the first one would be, my apologies if I had missed out, what would be the total revenue contribution from the brand Manyavar for Q4 as well as FY2022 and the second question being if you could just throw some colour on the EBITDA margins of the other brands I mean as per your comfort it is above the average or below?

Vedant Modi: Sure, as the company like as I had mentioned before we are not declaring the number separately for all the brands, we are doing it at a company level, brands apart from Manyavar are at a smaller scale currently and it is a strategic call to not talk about those numbers at this given moment, once Mohey scales to a certain level then we will be sort of sharing those numbers independently; however, the underlying fundamentals of the brands have been doing really well and all the growth levers are working to our advantage currently. Talking about the margins in the newer brands, they are lower than Manyavar currently; however, the overall idea is that as the brands scale up we will be able to get their margin similar to the current company average as and when the economy just scale and kind of kick in for those new brands as well.

Yajash Mehta: Thanks.

Moderator: Thank you. The next question is from the line of Amit from Stallion Asset. Please go ahead.

Amit: Hi, Vedant. My question is about Mohey scale up, you said that you will be opening six to seven stores this year, right, that is a bigger market than the men's category that is more unorganized, why scale up is not been very aggressive, so just trying to understand what is the thinking behind this?

Vedant Modi: So, I think the overall idea is that we are extremely bottom line focused company along with a lot focus on the efficiency that we are able to give to our franchise, so we take all elements of growth in a very conservative manner where we were able to also work on bottom line and it is a calibrated approach that we have decided to take whereas we feel that we have cracked overall lehenga market we have understood the overall nature this year onwards we are very confident about the saree market as well which we have understood in terms of the wedding and celebration market and slowly we are also trying out different product categories so the market we are comfortable in a sort of piloting with the new exclusive brand outlets we will be entering those; however, in terms of the kind of fast scaling that you are requesting for we will definitely get there in the next few quarters and we are very excited for the same.

Amit: What are the other factors that will make you scale up like what will you say that if I achieve this, this is the point where I start scaling up Mohey to like 500 stores as well?

Vedant Modi: The major sort of number that we are chasing as a company with Mohey is that once the exclusive brand outlets reaching a 10000 plus productivity numbers is what our aim is to reach internally that would be one factor in terms of going towards aggressive growth for the brand.

Amit: Sorry, I missed that point, what is that 10000?

Vedant Mod: Rs.10000 per square feet as an exclusive brand outlet of Mohey.

Amit: Got it. Thanks and wish you all the best.

Moderator: Thank you. The next question is from the line of Nikunj Gala from Sundaram Asset Management. Please go ahead.

Nikunj Gala: Good evening everyone and I just need clarification on the new store opening where you mentioned you booked the revenue on day one, sorry to harp on this question, so the day one assuming Rs.100 MRP product you sell it to the new store, so the entire Rs.61 or Rs.71 depending upon the least you have you book on the day one that entire Rs.61 or Rs.71 as a revenue?

Rahul Murarka: Yes, whatever margin we give to the franchise is reduced from the MRP cost, based upon the replenishment which happens on day one to the franchise that replenishment value minus the franchise margin we book and the rest is recognized.

Nikunj Gala: And against which he has only given you Rs.33 or Rs.35 of COGS or inventory at the cost as a security deposit, right so the remaining amount would sit as a receivables in you book right?

Rahul Murarka: The remaining amount it is not about, so Rs.100 is the MRP, we have two models of franchise margin model, one is 18% and another is 29.5%, and then there is a GST component also, if we consider 35% margin, so on day one on the replenishment of Rs.100 MRP product our revenue from operation is booked at Rs.65 and our receivable is also booked at Rs.65 and whatever deposits which we receive which is dependent upon our internal policy and mechanism that is appearing in my liability.

Nikunj Gala: So he must have given Rs.35 so the net amount is the new receivables right in that case?

Rahul Murarka: Yes, so if your monitor the receivable the net of deposit which are receivable.

Nikunj Gala: Right exactly, and what percentage of yours if I ask square feet would be the stores where the Vedant Fashions would be bearing rent?

Vedant Modi: So, 60% of our revenue comes from stores where we bare rest and this is a very strategic call that we take on a store-to-store basis so these are the prime real estate properties of India that we want to have control on as a company.

Nikunj Gala: So, 50% of square foot you mentioned?

Vedant Modi: 60%.

Nikunj Gala: So, it is more skewed towards the 71 take rate if I just take from per rate perspective so if should 61 in the case where they must be bearing rent and in that sense retail sense I am asking and in the case where you must be bearing rent it is 71% right, so ideally in 60% more skew towards you know 66%, 67% but for the year FY2022 we are looking at 70% net sales to DPL sales ratio so this on an account of the new stores which you have added so that understanding is correct?

Vedant Modi: Yes, exactly.

Nikunj Gala: Got it and just lastly out of 595 EBOs which you have mentioned in the presentation, how much would be Shop & Shops this out of 595?

Vedant Mod: 77 stores are Shop & Shops out of this.

Nikunj Gala: Sure, and lastly if I can squeeze in, the incremental square feet in tier 2 or tier 3 or the incremental number of towns you want to enter according to your experience what kind of a model you are having, you know the franchise is ready bear the rent or you want to bear the rent in that case?

Vedant Modi: In tier 3 as a trend it is mostly the franchise that bears the rent and that is the sort of model we follow for tier 3 cities generally, but again this call is taken on a strategic level based on the store rather than holistically for any tier or on a company level.

Nikunj Gala: Thanks for the clarification.

Moderator: Thank you. The next question is from the line of Divya Balakrishnan from Wellington Management Singapore. Please go ahead.

Divya Balakrishnan: Thank you. I am really surprised that you mentioned we do not expect margins of a newer brands to exceed the company average, it would feel like we should have a much higher pricing power once we go closer to the women's wear and bridal market so is there something that I am missing over there or are we just probably trying to be very conservative at this point, thanks?

Vedant Modi: Madam, I think the overall idea is that we are trying to a take realistic targets and the overall idea is that as these brands scale up and we improve our inventory replenishment systems for each of these brands along with setting up a stronger supply chain that is more efficient in terms of producing these outfits for those particular brands, we are confident of scaling up to those levels; however, when we look at a longer term trend I think it is something we will be able to comment on later down the line what we are feeling about those particular margins for the new brands, as and when they actually do scale up to the current company average.

Divya Balakrishnan: Thank you so much.

Moderator: Thank you. The next question is from the line of Jayesh Shah from OHM Portfolio Equi Research. Please go ahead.

Jayesh Shah: Congratulations for a good set of numbers. My first question is on the SGNA, I believe that you have an outsourcing model, but basically promoting brands so the biggest component should be SGNA given your celebrity advertisements, IPL team and seminar, so could you just tell us as to how do you look at this expenditure and how can we project expenditure going into future if this related to a percentage of sales with absolute amount with certain inflation, how does it work?

Vedant Modi: In terms of A&P our outlook moving forward would be at a range of about 5% to 6% for the new financial year which is the number we are expecting based on the kind of efficiency is we have built over COVID, so I think COVID was a great boost in terms of moving towards digital, understanding how can we more efficiently target our consumers on the digital channel and we are able to now understand that whole platform and reach our grooms and brides in a much more efficient manner, so that will help us bring down the 7.6% number in financial year 2020 to the 5% to 6% number moving on into financial year 2023.

Jayesh Shah: I see, given that you are looking to promote more women brands would not we see the spend going up in the short-term?

Vedant Modi: Not based on what we have planned, Sir, so for the current upcoming financial year the 5% to 6% is the sort of number that we have in mind in terms of A&P.

Jayesh Shah: Thank you, that is very useful. In franchise model generally what kind of money do the franchises make and how has been your experience with the franchises if you work basically with most of them and what are the key parameters if this is linked to their ROI's or how does it work?

Vedant Modi: Sure, we have two models in terms of franchise, the first one in the 18% model, in this model the franchise is responsible for making a very beautiful store that has a capex of about Rs.2000 to Rs.2500 per square feet depending on the tier of the city and they also bear all the operational costs of this store, apart from the lease cost. In the 29.5% model, the franchise also bears the lease cost, so these are the two sort of models, which we operate in.

The kind of payback periods we have seen at a franchise level on an average is about three to three-and-a-half years, so they have been making very good money with us and they are extremely happy, as a company we have been extremely stakeholder friendly and stakeholder growth is one of our most important parameters, 77% of our franchises have also operated with us for more than three years now which is kind of a testament to these numbers and we continue to expand with our current partners itself in the existing cities to have a good franchises scorecard.

Jayesh Shah: Right and how generally has been the churn in the franchises how many would you have terminated agreements till now?

Vedant Modi: Historically almost no franchise has left us out of their own will; however, when franchises fall below a certain metric in our franchise scorecard they are put on a training plan where we try to improve them operationally; however, even after trying for about two quarters they are still not able to scale up then we have churned out of few franchises from the system which number would again be extremely small less than 2% to 3% less than that sort of a range.

Jayesh Shah: Thank you, that is all and best wishes.

Moderator: Thank you. The next question is from the line of Vinod Malviya from Union Mutual Fund. Please go ahead.

Vinod Malviya: Thank you for taking my question. Sorry I joined the call late, so can you explain the reason for dip in the gross margin when we look at Y-o-Y basis?

Rahul Murarka: So, the gross margin has been 67% around for FY2022.

Vinod Malviya: For the fourth quarter compared to last year same quarter?

Rahul Murarka: So, for the Q4 FY2022, the gross margin was 66.4%.

Vinod Malviya: Yes, it was 67.4% in the base quarter, so there is 1% point decline?

Rahul Murarka: Yes, if we compare with Q4 FY2021, in Q4 FY2021 it was 67.4% and in Q4 FY2020 it was 64.7%.

Vedant Modi: Yes, I mean there has been a 1% drop when we look at a quarter level, so we had a lot of those parameters have to do with this s ort of a category shift that we saw in the last quarter, so in the later parts of the quarter we saw sales for different category such as kurtas, which was slightly lower during the previous year-on-year quarter, so those are the main parameters; however, as a company we feel all underlying fundamentals have been very strong and like we have been seeing it is a 66% to 67% gross margin scale that we aim to achieve even moving forward.

Vinod Malviya: But in your previous comment you had said that you have not taken any price hike and your focus has been selling on more higher value products so ideally that should have given you a bit of gross margin, but it is in the gross margin when we see the reported numbers there was a dip so that strategy apparently it looks like it has not been locked in this particular quarter?

Vedant Modi: Sir, I mean all the sort of numbers that we work on internally have been performing well, it is more to do with the shift and category of the products in a high value wedding related products for which the sale was a lot higher in Q4 FY2021, which was more of a wedding related shopping, we saw trends of more wedding related high ticket item purchases compared to Q4 FY2022 when we saw the slight bit of wedding attendees and customers are returning back to our stores to an extent, so it is a very marginal difference that we find in those sort of different categories.

Vinod Malviya: Okay, the second question was on your the franchise model which you said one is 18%, the other one is 29.5% so out of how much of the franchise basically you have the lease I mean you have brought the property on your book and leased out to the franchise?

Vedant Modi: Yes, so like we have been mentioning about 60% of our revenue comes from stores where we bear the lease cost and almost similar 60% of each square feet area also which we pay the lease cost is what it is.

Vinod Malviya: With this when we compare the numbers between the consumer sales and the reported sales, the difference is almost 30% which indicates that almost all the properties are leased by the franchise partner based on the reported number?

Rahul Murarka: There was a similar question we were discussing like the average margin which you can consider is around 65% to 67%; however, difference you are seeing is 70% it is because of the new store openings right which is appearing as a part of my primary revenue, the revenue which I report in my P&L, which is not appearing in my revenue so that is the gap of 3% which you are talking about.

Vinod Malviya: I will to take this question offline, okay. Thanks and that is all from my side.

Moderator: Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal. Please go ahead.

Aliasgar Shakir: Thanks for the opportunity. I have the question on the current market conditions, I think you did mention that for the full quarter the growth was about good percent despite the impact of Omicron if you could just share the current situation on the ground probably how was March, which was fully stable month and also in the current month probably how are you delivering and quick follow up question there is you know market feedback is that you know some of the regions or categories are doing better than the others, so what is our observation are we seeing the category that we operate are doing better than some of the others, are we getting any specific benefit out there, thank you so much?

Vedant Modi: Of course, March was a very good month for us, as January was quite heavily disrupted in terms of COVID not as bad as what we have seen in earlier days, but January was still quite effected and a lot of those numbers were made back in March, it was definitely a very promising month for us. In terms of the kind of traction we are now seeing on the ground it is very optimistic and very promising and it is making us more confident as a business when we see a lot of trends coming back in terms of wedding attendees and festive and casual buyers returning back to our stores and again this is also affected in terms of our kurta sales increasing as a category compared to what we were seeing in the last two years, which were quite heavily disrupted because of COVID, so all the underlying fundamentals are pointing us to a very confident new financial year.

Aliasgar Shakir: So, could you share on like-to-like basis, how do we performed in March or probably in April and also the same question that I asked regarding specific categories or region that are doing better?

Vedant Modi: Sir, again any equal number we would be happy to talk about in our next earnings call three months later, for the March I think it would be good to see that at quarter level because with January being disrupted a lot of demand would have moved into March, so it is to our benefit to look at it in terms of a quarter itself, March could be a little misleading.

Aliasgar Shakir: Got it.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference back to the management for closing comments. Over to you, Sir!

Vedant Modi: Thank you very much for all of you for joining us for this Q4 FY2022 and the financial year 2022 investors presentation call and thank you so much for all your support during and throughout the IPO process and being invested in the company. Thank and looking forward to more of such calls in the future.

Moderator: Thank you members of the management. Ladies and gentleman, on behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.