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Dear Sir / Madam,

Subject: Transcript of Earnings call – Q3 FY 26

We hereby enclose the transcript of earnings call for the financial results for the quarter ended 31st December, 2025.

This is for your information and records.

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

Gayathri Kethar
Company Secretary & Compliance Officer



“Go Fashion (India) Limited Q3 & 9M FY '26 Earnings Conference Call”

January 29, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 29th January 2026 will prevail



Management:

1. Mr. Gautam Saraogi – Promoter and Chief Executive Officer, Go Fashion (India) Limited
2. Mr. R. Mohan – Chief Financial Officer, Go Fashion (India) Limited



Go Fashion (India) Limited
January 29, 2026

Moderator: Ladies and gentlemen, good day, and welcome to Go Fashion (India) Limited Q3 and 9M FY '26 Earnings Conference Call.

Before we begin, I would like to remind participants that this conference call may contain forward-looking statements, which are based on the beliefs, opinions, and expectations of the company as of today. These statements are not the guarantees of the future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' line will be in listen-only mode, and there will be an opportunity for you to ask questions after 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. Gautam Saraogi – Promoter and CEO of Go Fashion (India) Limited. Thank you, and over to you, sir.

Gautam Saraogi: Yes. Good evening, and a warm welcome to everyone present on the call. I have along with me Mr. R. Mohan, our Chief Financial Officer; and SGA, our Investor Relations Advisors. I hope you have all received our investor deck by now. For those who have not, you can view it on the Stock Exchange and the company website.

Q3 has been a challenging quarter for the apparel industry, mainly due to lower footfalls. During Q3 FY '26, revenues stood at Rs. 194 crores, with gross margins of 64.3%. EBITDA stood at Rs. 52 crores, and PAT stood at Rs. 7 crores. However, the company has demonstrated resilience in its core operational fundamentals such as full-price sales ratio, items per transaction, and customer conversion rate, which have remained stable, reflecting continued consumer relevance and disciplined execution.

The overall retail environment remained subdued with discretionary consumption, witnessing moderation across categories. Factors such as uneven festive demand, selective consumer spending and lower footfalls resulted in a slower same-store sales growth during the quarter. The softness was largely industry-wide in nature. The company continued to prioritize full-price sales ratio by maintaining a full-price sales ratio more than 95%. This disciplined approach helped us maintain healthy gross margins at a stable 64.3% in Q3 FY '26, which further highlights the strength of the pricing of our brand.

Q3 FY '26 was deeply impacted by a slowdown in our LFS channel. One of our key LFS partners had a pause of fresh inventory intake across brands, which affected our LFS sales by 30%. We continue to engage closely with our LFS partners and expect this channel to normalize as we continue to supply inventory to them. We continue to engage with our LFS partners to ensure that this kind of interim issues what we have faced, we do not face again.

To drive improved same-store sales growth, the company has undertaken focused initiatives around customer engagement and new product launches. In parallel, we had recently collaborated with a leading influencer to showcase our bottom wear collection and enhancing the brand visibility and relevance among a younger audience. Such initiatives are expected to support stronger customer traction and improve store-level performance over the coming quarters. Over the time, we have strengthened our position in the non-leggings category and it has further strengthened. Today, our non-legging bottom wear category gives us a 65% contribution in our sales, which in earlier times used to be less than 50%.

Moving over to the operational metrics of Q3 FY '26:

Our store expansion strategy continues to remain calibrated and selective with a clear focus on entering high potential markets. As of nine months of FY '26, the company has added 49 stores and we expect to close FY '26 with a net addition of 60 to 70 stores. Our approach to network expansion remains very disciplined with emphasis on store-level profitability and strengthening brand salience.

We continue to keep a close watch on inventory levels, with inventory levels being at 114 days as of December 31, 2025. On the inventory front, we have seen an increase in our inventory due to our new Daily Wear concept, which had increased our inventory marginally from the earlier times. For the full-year FY '26, we anticipate inventory levels to stabilize in the range of 100 days, ensuring operational efficiency and healthy working capital management. Our strong focus on inventory and working capital efficiency will help us achieve the target of converting more than 50% of our EBITDA into Pre-IndAS operating cash flows.

On our new initiatives, including our international store in Dubai, and our Daily Wear concept are demonstrating healthy unit economics in early stages, and we remain excited about their performance in the coming quarters. As of now, we have opened six stores for our Daily Wear concept, and we look to scale it to about 10 stores by March 2026.

In line of our commitment to shareholders, we have announced a buyback this quarter of 14,13,000 shares at a price of Rs. 460 per share, with a total size of Rs. 65 crores. Way forward, smaller format stores, the small size stores have been witnessing a sharp decline in performance because today's consumer is looking to shop in a larger store experience. So, in line with that, we had consolidated some of our smaller stores last year, and we will look to keep a close watch on our remaining smaller stores in the quarters to come.

The company is taking a cautious approach on new store expansion with a clear focus on strengthening same-store sales growth. Our priority is to improve performance across the existing store network through better execution, enhanced customer experience, and operational efficiencies. Our immediate objective is to move from negative same-store sales growth to flattish, and then eventually taking it to low single-digit, supported by improvements in store-level productivity and throughput. This will not only be driven by external factor, but even by

sharper execution at the store level, introducing new products, and better engagement with our new audience.

Second, our footprint expansion will be driven by careful selection of high-quality locations through picking and choosing the right location with strong unit economics. Lastly, recognizing retail is fundamentally a balance sheet business, we remain sharply focused on cash conversion, higher inventory turnover, and disciplined capital allocation, ensuring business remains profitable and is a ROCE accretive business.

With this, I would like to hand over the call to Mr. R. Mohan for an update for Q3 and nine months FY '26 results and financials. Thank you.

R. Mohan:

Thank you, Gautam. And good evening, everyone. First, I will give the Q3 financial numbers. Our revenue for the quarter stood at Rs. 195 crores, gross profit stood at Rs. 125 crores, with GP margins of 64.3%. Our EBITDA for the quarter stood at Rs. 52 crores, EBITDA margins is at 26.7%. PAT for the quarter stood at Rs. 7 crores, PAT margin is at 3.7%.

Coming to the nine months FY '26 performance. Revenue is at Rs. 642 crores, gross profit stood at Rs. 406 crores, GP margin at 63.2%. EBITDA is at Rs. 187 crores, with EBITDA margin at 29.2%. PAT stood at Rs. 51 crores, with a PAT margin of 8%. ROCE and ROE, excluding IndAS impact, as on nine months FY '26, stood at 13.1% and 10.3%, respectively. Cash and cash equivalents stood at Rs. 256 crores as on 31 December '25.

With this, now we will open the floor for the question-and-answer session.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal:

Hi, Gautam. Thanks for taking my questions. Firstly, sir, I just wanted to understand how should we read your SSSG performance? Sir, we were flat for a fairly long period of time, but now reporting in the negative trajectory for the last three quarters. Though you mentioned that from a retail parameter perspective, footfall is the only challenge. But my concern was that even footfall, we are attributing it to weak consumption, but is there a certain level of deterioration of brand strength so that it is not attracting the relevant amount of footfall? So, your color on this will be very helpful.

Gautam Saraogi:

Yes, sure, Devanshu. No, I think, see, Devanshu, from a brand perspective, I do not see that. Yes, we want to, as a brand, increase our younger audience as a customer base, but from a brand strength and relevance perspective, I think we are very much there.

See, even from a product mix perspective, if you see, today 65% of our sales are coming from the other value added products and that's how the bottom wear market is heading in direction. So, I think from a brand relevance and product relevance perspective, I do not think it is an issue.

I think the overall footfalls in Q3 has been very weak. We have done many channel checks also and we have seen a similar kind of trajectory in other places as well. So the overall macro scenario, obviously, the footfall issue has had to do a lot with our SSSG.

Another thing, which I mentioned in my speech, our SSSG in a very small store. See, today what has happened, because the bottom wear market has become a wider market with so many products, the very small stores from an experience perspective becomes a little bit of an issue. And we have seen softer and larger degrowth in SSSG in those very small stores. So I think the larger attribute to a negative SSSG is obviously the overall macro scenario in footfall, and these small stores which have degrown a lot more than normal because of the size.

Devanshu Bansal: Fair enough, Gautam. But this footfall issue, is it also related to consumers sort of preferring to show up more online or via quick commerce channels where our presence is very limited, right? So, are you also thinking on ramping up our presence in these channels? Because footfalls, etc., may remain weak, right, so if the consumer preference is shifting towards other channels or maybe through formats where they are getting the entire wardrobe rather than pressing to go for a standalone bottom wear store, so how are we sort of focusing on capturing such consumption occasions?

Gautam Saraogi: Yes, I mean, rightly you said, Devanshu. I think, look, online and quick commerce has always done well for us, because we are having a very small contribution to that channel for us to build. So our online channel has seen decent traction. Our quick commerce also we have been live on Blinkit and Zepto and we have seen very good traction there. So I think as that channel picks up speed for the apparel category, our share also in the e-com space will organically grow. So, from an e-com and quick commerce perspective, we are there present with our styles and inventory across all channels. I think it's just a matter of time. Once it picks up speed, it will also start reflecting in our revenue numbers.

Devanshu Bansal: Fair enough. And lastly, Gautam, a few clarifications on the LFS side. Our revenue mix has improved towards EBO, right, so it is 80% EBU this time around versus 74% last year?

Gautam Saraogi: Correct.

Devanshu Bansal: The gross margin for this channel is about, in my understanding, 35%, 40% better versus the LFS channel, right?

Gautam Saraogi: Correct.

Devanshu Bansal: But if we see from a company-wide perspective, this should have reflected in 250 bps, 300 bps better gross margin on a Y-o-Y basis, but that is flat, right, in this quarter. So, is this largely due to deterioration in gross margin profile of LFS channel as well? So, what explains that?

- Gautam Saraogi:** Yes. See, we are also studying, Devanshu, and I will come back to you on that. But at the outset, when we are looking at it right now, last year we had started EOSS as a little late at the EBO level. This time we had started a little earlier, where usually we start. Last year, our EOSS start date itself was late. So, because the quarter three had a weak 10 days of more EOSS weeks, that could have had an impact on the EBO gross margin, which is not reflecting in the upside of the overall company gross margin because of low LFS. We are anyway studying this. We will come back to you with more clarity around it. But at the outset, it looks because of the start of early EOSS, which is by a week 10 days.
- Devanshu Bansal:** Okay. And from a model perspective, is your LFS SOR-based or the partners can determine the inventory in case they are closing the store or how is it?
- Gautam Saraogi:** Yes. So usually it is like this, Devanshu. So it is based on SOR. So, what we do as per IndAS standard, because it's on SOR we show it as debtor in our book. We show it as sales when we dispatch the goods. So it is debtors in our books. But because it is SOR, as per IndAS 115, we have to put a provision for sales return based on historical trends. So whatever is the last three years of historical trends of return, we provide it on a quarterly basis. So the provision of sales return is inbuilt for any stock which is coming back through the year.
- Devanshu Bansal:** No, that's fair. But what happens in terms of store closures, right?
- Gautam Saraogi:** Yes, your question is right. Suppose today an LFS decides to shut 20 stores, those 20 stores' stock will come return and it will be booked as a sales return. But what happens, such increase in return will reflect in the next year's provisioning because you tend to usually take a three-year average for a provision of sales return perspective. But to your question, if an LFS shuts 30, 40 stores or whatever stores, the stock coming back will be shown as a sales return.
- Devanshu Bansal:** Fair enough. Thanks for taking my questions, Gautam.
- Gautam Saraogi:** Thank you. Thank you, Devanshu.
- Moderator:** Thank you. The next question is from the line of Gaurav Jogani from JM Financial. Please go ahead.
- Gaurav Jogani:** Hi. Thank you for taking my question. My first question is again with regards to the LFS channel only. This quarter we have seen 137-odd LFS getting shut Q-o-Q. So one, was there anything specific this quarter that we saw such large closures? And how do we look for expansion in LFS going ahead?
- Gautam Saraogi:** Yes. So, see, Gaurav, these stores are largely one of our key LFS partners. They have changed the format of that store and they have rebranded and changed the format of the store. So when that happened, all the external brands had to move out of those particular stores, including us.

So the reason we have exited the store is because that key partner had decided to change the format and rebrand it.

Now moving forward, LFS expansion, from a store addition perspective, whenever we do get an opportunity for adding new stores, we will selectively choose which location makes sense and then we will select. Like in Pantaloons, we have been expanding and adding stores over the last few quarters, even in Reliance we are getting new stores. So selectively on the basis of what is being proposed to us, we will select those locations and move forward.

As far as quarter three is concerned, our quarter three revenues were deeply impacted because for one of our key LFS partners we were not able to dispatch stock for about close to 45 days. They were not taking inventory across brands for a period of 45 days and because of that we were not able to dispatch stock. And that is why we lost 45 days of dispatches, which has resulted in 30% drop in sales. And that's why our Q3 overall numbers have got deeply impacted because of this dispatch issue, which happened in November and a little bit of December as well.

Gaurav Jogani:

So, Gautam, can we expect sales come back in Q4 in some trend ?

Gautam Saraogi:

See, not really. Because, see, what happens is that one and a half months which we have lost -- see what happens is, how do we replenish stock at an LFS store, right? We keep base stock. We decide a maximum stock level. Now, based on the maximum stock level and the closing stock at an LFS store, you are basically only sending the difference. So in January or February it's not that you are going to be sending additional stock, you are going to be sending stock only to the extent of the maximum stock level. So the 45 days what we have missed out, that increase in number we will not see in January and February.

Gaurav Jogani:

But if that 45 days we have missed out, they would have again sold --

Gautam Saraogi:

Yes, I understand. See, Gaurav, ours is a replenishment business. The sales will happen you keep replenishing, the sales will happen you keep replenishing the store, right? But your maximum base stock is only to a certain level. So if you have not replenished 45 days, you have, to a large extent lost out on a lot of secondary sales. Now, we will not be able to recover those secondary sales in the coming months. So technically, you are sending only that much stock which is there in the base stock.

Gaurav Jogani:

And Gautam, just some reading on that LFS opening part. So, how many LFS now we can model-in to open at least for Q4 and the rest of the couple of years going ahead?

Gautam Saraogi:

See, it's difficult to say. It's difficult to give a guidance on how many LFS stores we will be opening next year. It all depends on how our partners expand. And in that proposal of expansion what we think would be relevant. So it's going to be very subjective to what is being proposed to us. See, sometimes a partner can decide to add 70 stores, 80 stores, but certain key markets, you would not want to be part of that market. So it's very subjective to what is being proposed

to us. So I think that we will be able to only know next year as we are proposed with the list of stores.

Gaurav Jogani:

And Gautam, coming back to the EBOs, are you seeing any recovery in the momentum of any sorts in the month past by January to indicate that from a negative 4.5% SSSG that you witnessed briefly, probably you will go flattish or all that sorts? Or it's continues to be remain as weak as it was before?

Gautam Saraogi:

See, Gaurav, I think we are seeing two trends, Gaurav. I think what is happening is our mid-sized stores, our stores, which are slightly higher than 500 square feet, 600 square feet, see, because their product range has increased, right? 65% of our sales are coming from the non-leggings category, the value-added category. So today, a consumer wants display and experience of shopping when you are seeing so many products. So we are seeing two trends.

The smaller stores, the very small stores are obviously seeing a decline because we are not able to display all the new products. The slightly larger stores, which are 600 square feet, 700 square feet stores, they are seeing good increase. Some of the stores are actually doing very good positive SSSG as well.

So I think for a period of time as our small stores phase out of the system and the newer stores what we cautiously add becomes of a relevant size, you will also see improvement in SSSG from that perspective. But largely the increment of SSSG is going to be obviously relating to footfalls. So I think both these things hand-in-hand will play a very important role in the recovery of the SSSG from being negative to a mid-single-digit or positive.

Gaurav Jogani:

But Gautam, in this scenario, that the expectation, then there could be a possible drag on the margins because the cost will keep on escalating at a certain pace. So, would it be fair to assume that at least over the next three, four quarters you might see a decline in the EBITDA margins just because of the negative leverage?

Gautam Saraogi:

See, I will tell you what we are planning to do as a company, right? Right now we are being very careful with expansion. So right now we are prioritizing and thinking how do we get the SSSG back to positive. Today, we are at minus 5%. Our aim is to get to mid-single-digit to 5%, right? So from minus 5% we have to take it to plus 5%. So all our efforts right now as a company is to see how we can fix this and get this into positive. Of course, the overall footfall is going to make a very big contribution to this, but we are also going to be putting in smaller efforts at new products, better looking stores to fuel that. So our first priority over the next one year is to definitely put entire focus on improving SSSG and maintaining margins.

So on the expansion front, we are going to be very selective in our expansion in the coming quarters. So that because of expansion, there should not be an EBITDA hit in the P&L. Basically what happens is, Gaurav, when we are seeing new stores, immature stores, which are not matured, they are a load on the P&L because you are paying the full rent and salaries without

the store being matured. So we are taking one step back and saying, look, hey, we will be very careful in our expansion, not go overboard with the expansion so that margins do not get compromised during the recovery period.

Gaurav Jogani: Yes. So when can we expect the store opening to even come down next year in the EBO format versus the 60-70 that we are expecting this year?

Gautam Saraogi: See, honestly, Gaurav, we are not guiding, unlike like earlier times, right, earlier times we used to be very clear with our guidance on how many store openings. This time we have seen that because of negative SSSG, margins have taken a hit. So under the management, we have taken a conscious call to slow down the store expansion and do it selectively.

See, that does not mean that we will not expand. See, wherever we are getting a very good opportunity and where we feel that we should be there, we will also expand, but we are not setting ourselves a target. During the recovery period of taking SSSG from minus 5% to plus 5%, we do not want to compromise on the health of the P&L.

Gaurav Jogani: Got it, Gautam. Thank you, and best of luck.

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

Ankit Kedia: Gautam, just continuing from the previous question, is it fair to assume next year's store opening could be around sub-50 stores or even lower than that? Because this year with 60, 70 stores also your margins have been hit, and next year also the recovery is question mark. So, definitely the store opening would be below 50?

Gautam Saraogi: So, Ankit, I know where you are coming from. And honestly, it's very difficult for me to give a guidance right now. It all depends when does the SSSG pick up speed, right? And suppose if things to go well and next year by, I am just giving a hypothetical example, by next year middle or maybe the second quarter we come back to positive SSSG, then maybe we also start increasing our footprint as well. So, it all depends on the recovery of the SSSG.

So, it's very difficult to give a number for next year, whether it will be below 50 or above 50, it's very difficult to predict. But as management, we feel that we will not go to an extreme of not opening also. Like, for example, if we get a good mall which is coming up in a Mumbai or a Bangalore or any other city where it's a prospective mall or very prospective high street, we will definitely go and open there, but we will not go overboard and try to open everywhere also at the same time. So we will keep a good blend.

Ankit Kedia: So given that it takes three months to six months to open a store, and today with you at minus 5%, 6% like-for-like growth next six months store opening will be muted, at least that we can assume?

- Gautam Saraogi:** Yes. It will be muted. So it's difficult to give a number, but I can tell you it will be muted for sure, because we are going to be very cautious in our approach. Ankit, just extending to it, we will also be doing a lot of relocations, Ankit. So what will happen sometimes, like I explained to you, right, we have some sometimes very small stores which are not doing well. Today, the consumer wants a slightly better experience. So in the same market we might close the older store and open a new store. So there might be some relocations, which will have a positive impact on the revenue number as well.
- Ankit Kedia:** Gautam, we would appreciate if you can share the area of the stores today. At a 800, 900 store network, we do not know what is the area, given that bulk of the store closures of smaller stores are behind us and now you are opening 60 - 70 --
- Gautam Saraogi:** Yes. So, what I will do now, Ankit, in the next probably after this earnings call, once we have calibrated the entire data, we will share the data with everyone how many stores are there, which are the smaller stores so everyone has clarity on that.
- Ankit Kedia:** And how many more store closures are remaining for the smaller stores? And can you just share the decline you have seen in the smaller stores?
- Gautam Saraogi:** Yes. We will share. First, we are calibrating the data. So once we have calibrated the data, we will be happy to share.
- Ankit Kedia:** Okay. No, because on the previous question you said that the smaller stores are significantly negative, SSSG are declining. So at least some data you would have to pass that comment, right?
- Gautam Saraogi:** Ankit, no, I will tell you, like for example where our company average level is minus 5%, the smaller stores we have seen a slightly higher degrowth of more than 9%, 10% SSSG. And sometimes numbers are not fully reflected. Even when we are visiting stores and when we are interacting with the consumers, the consumer feels that, okay, in a slightly larger store of 500 square feet, 600 square feet, the newer styles are better on display, so it becomes easier to shop. In a very compact store of 200 square feet, it becomes very difficult to display all the items to the consumer. So from an experience perspective also it hampers.
- Ankit Kedia:** I agree, because your core moat was a smaller store high throughput, high margin business. Now, that is getting disrupted because your average store size is becoming 600, at least incremental store size.
- Gautam Saraogi:** No, no, see, Ankit, the unit economics of a 600 square feet store and a 300 square feet store is not different. Even a 600 square feet store from a unit economic perspective comes under the same category as well. So it's not that my EBO unit economics will go down because I am opening a 500 square feet, 600 square feet store. See, if today I would have gone and opened, say, 2,000 square feet, 3,000 square feet store, that's a completely different unit economics. But

stores, which are sub-1,000 square feet, have similar unit economics for a 200 square feet also and for a 550, square feet, 600 square feet also.

Ankit Kedia: Gautam, at least last three years since we started opening bigger stores, sales per square feet has declined, if you see. Now, that could be due to market environment or it could be due to loss of market share, or it could be due to loss of footfalls. It could be either of it. But at least on the face of it, we have seen a decline in sales per square feet.

Gautam Saraogi: Yes. So your question is right, Ankit. So the sales per square feet would be more because of the footfalls in the overall macro scenario. It is not because we have gone into a larger store and the unit economics are not as good as a smaller store. It's not because of that.

Ankit Kedia: Sure. My second question is on LFS. You made a comment that one of the large retailers is switching the stores, which had third-party brands to private label brands.

Gautam Saraogi: Correct.

Ankit Kedia: Now, do we have visibility that next year, that would not happen from the retailer, or it's going to continue and we have been said that a few hundred more stores could be closed in the medium-term?

Gautam Saraogi: See, we are also trying to get that clarity, Ankit. But honestly, if you ask me the truth, I do not know. Can it happen next year? Maybe yes. So we are also speaking to our partner and trying to get that clarity so that we are also prepared, or if there are going to be such format changes at their end we will know about it. So we are trying to find out. The minute I have some clarity on that, maybe in the next earnings call or maybe in between that I will definitely guide everyone on that.

Ankit Kedia: Sure. And on the inventory part, right? Our gross margins have expanded, but with the change in format and other things, how are the commodity prices placed today? And with the GST pricing being more favorable at least for higher price points above Rs. 1,000 products, going forward, do you feel the need to reduce the discounting which you are giving to the consumer or the new labels have come up? How will that pricing change? And how are the commodity prices?

Gautam Saraogi: See, honestly, Ankit, you are talking about the GST reduction, right? Those products you are talking about, right?

Ankit Kedia: Yes. Yes.

Gautam Saraogi: Yes. So we are giving the benefit to the consumer. We have not changed our MRP for such products. So we are continuing to give the benefit to the consumer. There might be a time where we feel instead of taking a price hike for those products, we will just remove the discount what

we were giving for the GST benefit. So, in short, we have not taken the price hike, but we will get the benefit of that eventually. But when we are going to start doing it, we are deciding it internally once.

To answer your question, we are not changing the MRP of those products where the GST was reduced. Wherever the GST was reduced, we were passing on to the consumer. Eventually, instead of taking a price hike of those products which were new, we would just remove that benefit without taking a price hike.

Ankit Kedia: And in the other products sub Rs. 1,000 where the discount was not available, 5% remains 5%, there are you considering taking up a price increase?

Gautam Saraogi: No, not right now. See, Ankit, we are in a volume-led business, right, so our entire company focuses to drive volumes. I have reviewed the products under Rs. 1,000. We have made very small correction in certain products where we have increased the pricing because it was underpriced to begin with, but those are very, very few products. Largely, we have not touched anything under Rs. 1,000 because we feel we are well priced.

Ankit Kedia: Last question is on the A&P spend. Do you think at this point of time you need to be aggressive in A&P? Because previously you always said when demand is not there you do not want to spend, because demand is not there consumers are going to walk in. But has that mind shifted that you have to go aggressive at this point of time?

Gautam Saraogi: See, no, I do not think we have to spend more, honestly. So I think that logic of 2% of revenue still holds good. This time it showed a little more because our revenue this year has stayed flat, but we had marketing budgets allocated for growth, right? So that's why the percentage of revenue is still slightly higher. But from how much we want to spend, I do not think that number will increase.

We are transitioning our digital marketing to a very different methodology where we are reaching out to the younger audience and the millennial audience by different, different types of personalized marketing. See, our marketing team, to begin with, was a very old school, orthodox type of marketing. It's now changed over a period of time, it started pivoting towards more and more digital. So I think the way of marketing is going to evolve. But from a spend perspective, I do not see our spend increasing. We used to spend 2.5% or 2.2%, we are going to be around that number. So as a quantum of spend, it's not going to increase.

Ankit Kedia: Sure. And can I ask another question since I have taken a lot of time?

Gautam Saraogi: Yes, yes. Please go ahead, Ankit.

- Ankit Kedia:** It's just not the top wear, given that bottom wear is under pressure, which is the core bread and butter, do you think it's prudent now for you to continue to expand top wear aggressively or concentrate more on bottom wear?
- Gautam Saraogi:** No. See, I will tell you. The top wear project what we have done, the everyday concept that's just a pilot. And see, the pilot needs its time, right. So now we have opened six stores so that will take its own journey. And that decision-making in that pilot is independent of bottom wear. So we are not going to speed up that in any way to show growth. So that pilot will go in its own speed, it's going to take some time, and it's for the future.
- As far as bottom wear is concerned, see, we are a very, very bullish on the on the category. Yes, this has been a very tough time for the category and the brands where we are headwinds and it's not reflecting in numbers. But our conviction in bottom wear is very much there, even our recent Technopak study also emphasizes that how large that category is. So, even from a short-term, mid-term, and long-term perspective, our entire energy and strategy for bottom wear is very much intact.
- Ankit Kedia:** Sure, Gautam. Thank you, and all the best.
- Gautam Saraogi:** So over the next couple of years, Ankit, if we have to show growth and the numbers have to come, it has to come from bottom wear. We cannot expect the pilot to take care of the gap of growth. The pilot is there and it will take the pilot in its own sweet time. We cannot rush the pilot, otherwise we would not do justice to that project as well. Bottom-wear is our main business and we will fix it and we bring it to growth. We are very bullish.
- Ankit Kedia:** Noted. Thank you, Gautam.
- Moderator:** Thank you. The next question is from the line of Vaishnavi Mandhaniya from Anand Rathi. Please go ahead.
- Vaishnavi Mandhaniya:** Hi. Thank you for taking my question. I just wanted to understand that how much of this SSSG decline can be attributed to the entire store size issue that we faced? Because you said that the smaller stores saw a relatively negative SSSG or rather the larger stores saw better SSSG performance versus the footfall in general being weaker.
- Gautam Saraogi:** See, Vaishnavi, it's very difficult to quantify it. I would say largely this SSSG is negative because of the slowness in footfall and the overall weak environment. It's very difficult to quantify it, but I would put it more towards the overall macro scenario.
- Vaishnavi Mandhaniya:** So what I am trying to get to is, let's say, in H2 FY '25, we shot I think almost 40 to 50 of the smaller store formats. We said that the store closures are almost done, but again now in this quarter, we are coming up and we are seeing that we are still seeing the performance of the smaller stores not being up to the mark, which is why we are shutting them again. So I am just

trying to understand where are we coming in this entire small store, large store, medium store? And how should we look at this in terms of our performance as well?

Gautam Saraogi:

See, the stores what we shut last year, yes, we did shut those stores. And we have seen that when we shut those smaller stores, the revenue moved to the nearby larger stores, so we saw that. It did not have a very big impact on SSSG because 40 stores as a base on such a large number of stores will not move the SSSG needle so much.

Now, as far as how many stores we are going to be shutting, we are calibrating the data of the smaller stores, because we cannot just shut those stores just like that, we will have to also see when are the lease renewals coming up. So as we get more clarity on that, we will definitely guide the market on how many such stores in the smaller bucket is there and how many of the smaller stores will be shutting in the short-term, we will also guide that once we have calibrated the entire data. And from your end, you will also have clarity on what's happening.

Vaishnavi Mandhaniya:

All right. And one more thing, if we can also get some more inputs in terms of how does the unit economics, etc., move for the slightly larger stores, like what the earlier participant was also suggesting?

Gautam Saraogi:

Very similar, Vaishnavi, and I will tell you why. I will tell you why a 500, 600 is very similar to a 200, 300, I will tell you why. When we sign a store, we sign on a rent-to-revenue ratio. So if the rent-to-revenue ratio is in our budget, whether it's a 600 square feet store or whether it's a 200 square feet store, your EBITDA prior to staff expenses will be the same. Now coming to staff expenses, because that is the real difference between a 600 square feet store and a 200 square feet store.

In a 600 square feet and a 200 square feet, the number of people you employ for managing the store are the same. Your operating expenses also are pretty much the same. So a 600 square feet store, from a unit economics, delivers the same unit economics what a 200 square feet will deliver. The difference always what happens is, when you go past 1,000 square feet, suppose you open a 1,500 square feet, the unit economics dramatically changes because the electricity cost dramatically goes up, the number of people you are going to be keeping in the store dramatically goes up, then you will have to keep separate housekeeping staff.

The entire mathematics on employees cost dramatically changes when it crosses to 1,200 square feet and 1,300 square feet. Sub-1,000 square feet, you are keeping the same number of people what you are keeping in a 200 square feet, 300 square feet. So the difference is really those other operating expenses in which the staff cost is the highest.

Vaishnavi Mandhaniya:

Okay. Understood. Also, one last question. In terms of the newer stores that we are opening, which are slightly larger in the size, are they again in the nearby vicinity of the smaller stores? Or are we targeting different clusters or in the same cluster?

- Gautam Saraogi:** No, no. See, one more thing is, see, definitely during these times for SSSG is soft, we are ensuring that we are not giving any room for cannibalization. So now when we are opening stores, we are very careful. We are trying to open in different clusters where even the smallest remote chance of cannibalization should not happen. And that is why we are extremely selective and cautious in our approach of store opening.
- Vaishnavi Mandhaniya:** Okay. All right. Thank you.
- Moderator:** Thank you. The next question is from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.
- Prerna Jhunjhunwala:** Thank you for the opportunity. I just wanted to understand your revenue mix, for this quarter you have given bifurcation wherein from non-leggings, sales is around 65%.
- Gautam Saraogi:** Correct.
- Prerna Jhunjhunwala:** As a category, that category has not seen that kind of difficult times in our opinion. So, I wanted to understand, which category is being slowed down? Or is it an overall all categories have seen decline at the same time? How product mix is changing?
- Gautam Saraogi:** Yes, yes, I will tell you. So, Prerna, I will tell you, see, the product mix change has very little to do with the negative SSSG, and I will tell you why. Even pre-COVID when we had SSSG of more than 15% even double-digit SSSG, even back then the product mix was evolving and changing. See, product mix is something, which evolves even when your SSSG is positive or negative. So, that has nothing to do with that. The real reflection of SSSG being negative is more to do with the footfalls.
- The main reason is that. It is not because this product has gone down and this product has slightly improved that it is reflecting a negative SSSG. The main reason of SSSG decline is because of the decline in footfalls. So suppose if you are having minus 5% SSSG today, our footfalls are down by minus 5%. So, what directly correlates with negative SSSG is the footfalls and not the product mix. Because what we have seen in the past, even in the good times when we had double-digit SSSG during pre-COVID, our legging, churidar contribution was falling at that point of time and our other product sales was improving. That was something which we had envisioned that was anyways going to happen, that legging as a category is going to continue to decline even in the future.
- Prerna Jhunjhunwala:** Okay. Understood. But then I am just trying to understand, because other apparel players have not been declining every quarter the way you have been declining. And footfall in this quarter, especially given that the season has been decent and the footfalls have not been accompanied by many other categories., So why would footfalls be a problem for you for more than three quarters now?

- Gautam Saraogi:** See, difficult to answer this question, Perna. But see, in quarter three, of course our numbers are weak, right? So the first thing what we do is we do some channel checks. So we have seen a decline everywhere, but in the women's category we have seen a bigger decline, and this I am talking about in general overall women's apparel. Irrespective of top wear, irrespective of bottom wear, irrespective of whether it's ethnic, western or fusion, whatever little bit channel checks as a company we have done, we have seen slowness everywhere.
- Perna Jhunjhunwala:** Also, is there any strategy change with respect to ownership of stores? Because all your stores are on your book and any franchisee options that you are evaluating?
- Gautam Saraogi:** See, the COCO model works very well for us, Perna. And it gives us better control from a hygiene perspective also. We have realized that COCO stores deliver a much better customer experience because we have SOPs in place. So for us, we are largely going to go to the COCO route. Franchisee route we are not taking, but we will do franchisees very selectively in markets where we are not having operational control, very similar to what I have narrated earlier.
- From a ROCE perspective, see, as the business improves, once growth comes back onto the table, the margins improve, automatically the ROCE will start showing a better figure than what it is currently. But from a strategy of COCO versus FOFO, I think we are going to continue with the COCO because that's a model that works for us. Because sometimes we feel from a COCO perspective the store experience, the store look and feel, everything will be well maintained in the COCO model.
- Perna Jhunjhunwala:** Understood. Thank you, and all the best.
- Gautam Saraogi:** Thank you. Thank you, Perna.
- Moderator:** Thank you. The next question is from the line of Resham Mehta from GreenEdge Wealth. Please go ahead.
- Resham Mehta:** Yes. Thank you for the opportunity. So the first question is basically on the market share data. As per the latest Technopak report, can you call out what's your market share?
- Gautam Saraogi:** See, so the report says that we are having the same 8% market share in FY '24 what we had earlier. And it shows that the branded market for bottom wear is a Rs. 10,000 crores branded bottom wear market as on 2024, in which we have a 8% market share.
- Resham Mehta:** Okay. And can you just call out the initiatives taken to drive footfalls as far as customer engagement goes?
- Gautam Saraogi:** See, I think driving footfalls, to a very large extent, is determined on the consumer sentiment. So, that's not very much in our hands. So what best we can do from our end is to ensure that our product mix is good, our stores are well located, and our digital marketing is strong. These type

of levers are in our control, but the overall consumer sentiment which is there in the market is something which we will have to wait and watch how that improves. These initiatives of just ensuring that we have the right product mix and we are doing the right digital marketing is what we can do at our end to ensure that we deliver best SSSG.

Resham Mehta: So when you say customer engagement, what you are essentially referring to is the digital marketing?

Gautam Saraogi: Yes. See, I think we started a lot of personalized digital marketing, it works very well. See, today a lot of our digital marketing has moved to personalized customer, where today a consumer who's shopping in a Go Colors is buying certain categories. We promote the other categories through WhatsApp, through Instagram. So, our entire digital marketing has become more personalized around the products with our existing customers and new customers. So, we are leading our digital marketing more transitioning into product-led communication than just brand communication.

Like for example, if you are a user, you are a customer of Go Colors, you have been buying X number of products, but you do not know that this product is available at Go Colors. Through our data we will know that X person is buying this. So what we have seen in recent past, when we are personalizing advertising communication for that person, that person is able to see that okay this product is also available. So, you are able to get that customer back to the store. So, our digital is moving more personalized product-led, which works for us very well. So, we do it direct and we also do it through influencers.

Resham Mehta: Understood. And with all these new product launches which we can see out there in the stores, right, like, you have spoken that, okay, brand dilution is not an issue, other issues are not there, but do you see that somewhere the value proposition for the customer has become a little bit weaker? Because if I see, as we have westernized our portfolio, right, western-wear is, somewhere where there is a lot of competition.

So if I just compare the merchandise for the new product launches that we have done with, let's say, an offline store like Westside, or even if we go lower on the value side, Zudio, etc., Westside probably would have similar merchandise but at a much lower price point, right? So we are not seeing footfalls not because of other reasons, but just because the value proposition has weakened with that.

Gautam Saraogi: Yes, yes, I understood your question, Resham. In fact, I will tell you, this is something, which we covered in the Technopak. So in fact, we added this in our presentation recently. So we put a triangle chart in that updated slide on market size and our share. In that what the study says is that more than Rs. 500 to Rs. 1,000, and Rs. 1,000 and above, contributes to more than two-thirds or maybe more than 70% of the bottom wear market. The less than 500 category is a very small category compared to the mid premium and the premium category. See, the bottom wear

category, when you take the value added products like trousers, palazzos, it's very difficult to price it sub Rs. 500. The sub Rs. 500, to what I have studied, is a very leggings-oriented market.

Resham Mehta: Sorry to interrupt, I am not referring to the sub Rs. 500 market. So now let me be very specific. For example, the wider bottom denims, right, which have been launched, right? So now, for example, our MRP is, let's say, a Rs. 1,300. I could have similar merchandise, let's say a Westside, it's priced at Rs. 1,000, right? I mean, this is just one example that I am giving you, right? So then clearly, the value proposition for the customer becomes far superior.

Gautam Saraogi: You are saying from our competitive pricing, you are saying?

Resham Mehta: Yes, yes. And this is just I am talking about, let's say, offline competition, right? And if we move to online, it's different, it's a much wider world out there, right, with plethora of options there, right? So then with that let me put it this differently that if, let's say, if you were to drop your prices on some of your specific merchandise, right, like by X percent, do you think that is going to boost footfalls, or do you think that is not the case?

Gautam Saraogi: Okay. Yes, yes, I understand your question, Resham, and I will clarify that. See, what we try doing is when we launch a product we try benchmarking it at what prices will a like-to-like product or a similar product be selling in the market. So maybe there's one product which you are mentioning, maybe we have overpriced it by Rs. 200, maybe that's a one product phenomenon. I am not going into specifics of that product.

In general when we are releasing products, we benchmark to see that we are not very expensive compared to competition. We should be either on par or maybe lesser and that's how our pricing strategy is. So, we do not want to put ourselves in a situation where we have launched a product at a premium, realize that it is very expensive like other competitors what you mentioned, and then we drop the prices.

So to begin with, we are ensuring that we are not pricing ourselves so much higher than what is available in the market. So I will give you another example, what happened in our new concept what we opened, the new Daily Wear concept. So certain products of Men's wear, what we launched in the Linking Road store and the other five stores as well, we had priced it a little higher. When we realized that we had priced it a little higher than what is available in the market, we immediately changed the pricing. Because that's a new category and segment for us, so we are also learning.

In bottom wear, because we have done it over so many years, when we are releasing a product, we keep studying what our pricing is versus what is there available in the outside. Maybe an exact product is not available, but at least like-to-like of a similar product at what price it is selling. So we try keeping that price parity to begin with. Sometimes we make mistakes like that one product, maybe you mentioned, we did go wrong. I do not want to be specific about that product. But in general, it's a conscious effort that we get our pricing right from day one.

- Resham Mehta:** Right. So you do not believe that if we bring our prices down, we are going to be seeing more footfalls, right?
- Gautam Saraogi:** Not at all. To begin with, we are pricing our product very sharply. And if the product is available outside, it's in line with that. I will give you a basic example, right? Let's take our legging product. So you will have leggings of different price ranges. For a product of our spec, I am taking leggings because that contributes to 35% of the business, so I am taking that product as an example. If you take a product of similar spec, you will see brands selling between Rs. 549 and Rs. 649. So we are somewhere in between, we are at Rs. 599. So we are very mindful of that how we price ourselves. We would not always ensure that, okay, we are giving good comfort and quality, but the pricing should be sharp.
- Resham Mehta:** Right. And I do acknowledge the fresh merchandise and the new product launches, they are very much visible in your stores, in Mumbai at least, right, so I do acknowledge that, right? And I have one more question if I can squeeze in.
- Gautam Saraogi:** Sure, sure. Please go ahead, Resham. Please go ahead.
- Resham Mehta:** Thank you. That's the last one. So a lot was spoken about the store sizes, right? So typically we have been in that 300 square feet to 600 square feet kind of store size. So, now the new stores that whatever calibrated muted store count that we would be opening, we are all at 1,000 plus. And also, a related question that when you say small stores, I mean, do we have definitions of small, medium, large stores internally?
- Gautam Saraogi:** See, so the new stores, what we are opening for the bottom wear stores, I am not talking about the pilot. So for the new stores what we are opening for the bottom wear will be below 1,000, largely. So it will be in that range between 500 sqft. and 1,000 sqft. It will be mostly in that range, but we are unlikely to cross 1,000 sqft., unless it's a very good rental deal we are getting. But we are largely going to be in that bracket of less than 1,000 sqft..
- When I talk about a small store, yes, any store which is effectively lower than a 300 square feet or 350 square feet store comes down to being a small store. So it also depends on the depth and the width of the store. But without being too technical, anything below 350 square feet and 300 square feet is regarded as a small store, where today we are not able to display those products in a very small store.
- Resham Mehta:** Sure. We will look forward to more granular data on the store sizes in your next presentation. Thank you so much, and all the best.
- Gautam Saraogi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sameer Gupta from IIFL Capital. Please go ahead.

Sameer Gupta: Hi. Good evening, everyone. Thanks for taking my question. Gautam, firstly, on the LFS channel. Now, even if we exclude the anomaly of this quarter, the growth or the performance in this channel has always been volatile. Some quarters it is up some more than 20%, 30%, some quarters it is a decline. So if this is a replenishment model, which you alluded to in one of your participant's question, technically growth should be smoother like the way we witness in our EBOs, because that will be capturing the end-level consumer. And just to follow-up on this again, the LFS key partner that you are talking about changes formats, not buys for 45 days, and they do not really inform us beforehand so that you can plan better?

Gautam Saraogi: Well, I will answer your second question, yes, we were obviously not informed once festive got over, POs were on hold, we could not sell stock. It was something we did not know about it, we obviously could not foresee it. As far as format changes also is concerned, I think look, format changes is very common, not for this one LFS partner, it happens anywhere, brands are always informed only at a particular point of time. They will never be well-informed in advance, but that's how retail works.

But on the PO part, definitely we should have been informed that this was coming, but we were not. Luckily, we were able to solve those things post-December 15, and as of now, things are running smoothly. And we are also trying to work with that LFS partner to ensure that such operational issues do not happen in the future.

On the volatility part, Sameer, see, I think look, there are two things, right, where can we have volatility in LFS? One, A, if there is a fall in secondary sales because of footfalls, or B, we have not replenished the store properly. I think the volatility in Q3 what we have seen was a point that we were not able to get the purchase order and we were not able to replenish. I think the volatility depends on which aspect, whether it is secondary related or whether it is primary related.

So this quarter we have seen that it was more around the perspective of that we were not able to dispatch, and that's why we saw a fall in revenue in LFS. In previous quarters, there are some quarters where the secondary sales itself were low and we could only replenish based on what is sold. So I think that was a very different reason altogether. This issue happened in Q3 is more of a very direct operational issue rather than, I would say, a consumer sentiment or market issue.

Sameer Gupta: Got it. But the previous quarters are more reflective of the end consumer demand.

Gautam Saraogi: Yes. That's what I am saying. It's not an apples to apples comparison, but yes, I mean, at the outset, it looks like LFS has degrown, I think the underlying reasons in what was maybe in the earlier quarters and what is today are different.

Sameer Gupta: Fair point. Second question, again it's a follow-up on an earlier participant's question. So brand relevance and strength. Now, it's been 11 quarters of flattish same-store sales and you are confident that this brand strength is still very, very relevant and strong, and you alluded to the brand market share is intact at 8%. So, the last three years and only two of these things can

happen. One is that people have stopped buying branded bottom wear or they are basically shifting to unorganized. Is there a third thing that I am missing?

Gautam Saraogi: See, I will tell you from a brand relevance perspective now, Sameer. See, we are very closely in touch with the consumers who are walking into Go Colors and buying, right? So we are very clear whether we are meeting the needs of the consumer who is buying. The consumer who is coming in is definitely buying and we are very, very relevant.

Yes, in the last few years when the footfalls have been low, our new customer acquisitions have been slightly on the lower side. The actual quantum of new customer acquisitions have increased, but because the base has increased, the percentage has fallen slightly. So what we are also trying to do as an audience is just to push up how we can push newer customer, newer audience acquisitions, especially in the younger age group. That is what we are focusing on.

Sameer Gupta: Got it. Wish you all the best for the future.

Gautam Saraogi: Thank you, Sameer.

Moderator: Thank you. The next question is from the line of Akhil Parekh from B&K Securities. Please go ahead.

Akhil Parekh: Yes. Thanks for the opportunity. And again, my questions are around the competition and the gross margin part. Gautam, there is an interesting comment made by one of the largest consumer peers yesterday on the television that there is a silent shift happening in the consumer categories from organized listed traditional players to, say, unlisted agile smaller players basically. And this is happening even in the apparel category where he cited an example of a few unlisted players like Snitch, Souled Store, Bombay Shirting, Rare Rabbit, these four brands combined have added Rs. 2,000 crores of revenue in last year basically, while some of the listed players are still struggling.

So my first question is, how are we measuring this shift basically? Because I think there is something missing, right, because as earlier participant also highlighted, last 11, 12 quarters SSSG has been muted. So there is definitely some sales happening, but that is being taken away by some of these unlisted players. That is my first question.

Second, corollary to it, whether high gross margin is an issue for us basically. Being a listed player, gross margins are very much visible in public domain and have been an inclining trend for last five years now, and we are seeing a similar trend happening in other listed apparel retailers who have a very high gross margin basically and they are kind of struggling with the sales growth. Yes, those are the two questions from my side.

Gautam Saraogi: See, I think you are definitely right. I mean, see, if you compare pre-COVID and post-COVID, right, the number of brands in the retail industry whether unlisted, whether listed, whether

digital, whether offline has significantly increased. And I am speaking this from a generic perspective. I am not talking about bottom wear, women's wear, men's wear. There is a lot more supply of different, different brands across different categories of apparel and the number of players today are far higher than what it was pre-COVID. So that definitely makes an impact on the individual categories.

As far as gross margin is concerned, see, we are in a high gross margin category because of the kind of category we are in. We are in a very full-price sales category. So, because we are able to achieve and keep that 95% of the full price sales ratio going, that is very clearly indicative in our gross margins. So the gross margin what we are having is a very clear indication of full-price sales ratio and lesser of discounting.

Now the question is, whether we should reduce the selling price and push for volume? Even if we had to reduce the selling price, how much would we reduce? If we would have reduced probably by Rs. 100 or Rs. 200, that does not really change the customers' decision to buy that product, but then you will end up taking a gross margin hit. So, from a product pricing perspective, like I also mentioned to Resham, we are keeping the price of the product very sharply priced. It reflects in high gross margin because of lower or, I would say, negligible discounting.

Akhil Parekh: Okay. But there is no way to kind of do the pilot project where we can kind of cut pricing around certain products and see if that increases the footfall. Because as I said, there is a similar problem with one of the other listed players in apparel segment.

Gautam Saraogi: See, from a price reduction perspective, I am very clear. We do not have to really rework on our pricing, our pricing is very sharp. And maybe in a few products, maybe we are overpriced by Rs. 100 or Rs. 200, there may be those exceptions, but largely, I would say more than 90% of our products are very, very sharply priced. So I do not really think that we need to take a price cut to boost volumes. I do not think that is required.

Akhil Parekh: Sure. That's all from my side, and best of luck for coming quarters. Thank you so much.

Gautam Saraogi: Thank you, Akhil. Thank you so much.

Moderator: Thank you. The next question is from the line of Balaji Vaidyanath from NAFA Asset Managers Private Limited. Please go ahead.

Balaji Vaidyanath: Good evening. You mentioned that it's a little difficult to guide on store openings, which is fine, but I am still unable to figure out why I am unable to guide on store closures, in the sense that, if there are stores which are like double-digit SSSG degrowth for, say, a couple of quarters or three quarters, are not they like a no brainer call to shut them down? And if so, how many such stores are there, which are on the double-digit SSSG degrowth category? If you throw some light on that.

- Gautam Saraogi:** Yes. So, we are happy to guide, we are just calibrating the data. And the minute the data is ready on the smaller stores or maybe negative stores, we will definitely pass on the data to everyone. It is not that we do not want to disclose the data, we are just calibrating the data and seeing different cuts of it, and we are also seeing what is the least period of it before we take a call. So once we have full clarity on that data, we will definitely communicate it.
- Balaji Vaidyanath:** Secondly, on the gross margin side, with the mix towards the value added compared to the traditional. So, of course, even the previous caller's question as well, we have seen the best of gross margins, right, so we cannot expect any expansion or anything of that sort from here on? Is my understanding right?
- Gautam Saraogi:** Yes. No, see, currently at a company, we are between around 62% to 64% of gross margin we are delivering right now. See, from a gross margin delivery perspective, we are very happy, and I do not see any expansion there, right? What will really create an uptick in the EBITDA margins is that our sales improve, our SSSGs improve and our operating costs as a percentage of revenue falls. So I think that is where the work has to be done. From a GM perspective, we are very happy with what kind of gross margins we are currently delivering.
- Balaji Vaidyanath:** Okay. And in terms of your CapEx per store on the incremental, the large format stores, I mean, suppose if you are present in a very nice area where you already have a couple of, say, small format stores, which for some reason, or for negative SSSG, you decide to close that. So to find an equivalent larger store in a similar area, would not that be like a challenge in the sense that the rent per square feet, etc., would be slightly higher than the smaller format store? Is that right understanding?
- Gautam Saraogi:** No, no. See, in such locations, right, for us, rent to revenue ratio is what we look at rather than rent per square feet. So, even if we are taking a slightly larger store, we make a projected revenue for that particular and see what will be our delivered EBITDA on a steady state basis. So, it will not be relocating a store from a smaller store to a mid-size store will not really result in the drop in EBITDA margins. So, that we are very careful. That's one thing which I also had explained earlier in the call that 600 square feet, 700 square feet store if I am opening, from a unit economics, it will not really change much from a smaller store perspective.
- Balaji Vaidyanath:** And are we changing anything on the agreement side in terms of the lock-in period, etc., compared to what it was earlier?
- Gautam Saraogi:** No, no. Our agreements are very standardized. We do the lease from anywhere from nine years to 12 years, and our lock-in periods are very standardized what the industry follows. So, I think those are going to be very similar to what we used to do earlier.
- Balaji Vaidyanath:** Thank you. I wish you all the best.
- Gautam Saraogi:** Thank you.

- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, that was the last question.
- Gautam Saraogi:** No, no, madam, if there are more questions, please proceed. From my side, it's not a problem. If there are more questions, happy to answer. Please, you can let the call continue if there are more questions. No problem.
- Moderator:** Okay. So, the next question is from the line of Manjeet Buaria from Saamya Advisors. Please go ahead.
- Manjeet Buaria:** Hi. Thank you for taking my questions. First, I wanted to understand from the online channel perspective, is the product structurally not suited for the channel from a unit economics perspective? And is that why it's been like such a small share over the years?
- Gautam Saraogi:** Manjeet, I think we have kept that. See, I think our category is a very offline category because of the colors, the touch and feel, the fitting. I think women in general prefer and find the product out in a physical store. Like, I remember even during the first wave or second wave of COVID, when our offline stores were shut but our e-com was up, it's not that we saw sudden boost in our e-com sales. In fact, when the stores started again post the lockdown, we saw a sudden shift in and surge in the store sales as well. So, why I am giving you such an old example is because we have seen this product category is a very touch and feel category.
- What we have also seen, right, I mean, I will be honest with you, we did this customer feedback where we asked the consumer, why are you not shopping at Go Colors? So the few customers said, your store is very close by, it's faster for the consumer to go to the store, try it, rather than wait for the online order to get delivered. So sometimes what happens is when you have a very large network of stores, the consumer can very easily say, look, hey, I will go to the store nearby and get it as much faster than me ordering it online.
- Manjeet Buaria:** Okay. Got it. My second question is, as the mix has shifted from about, let's say, 60% on churidar leggings about five years back to a much lower level now, I would presume the fashion element of our portfolio has gone up, right? And typically when I think about it, the higher fashion element brings more supply chain complexity, and the higher risk of dead stock in the apparel retail business. So, am I thinking on it in the right direction, or am I missing something over here?
- Gautam Saraogi:** No, no, your question is very, very valid. Yes, when you move from churidar to leggings to other value-added bottom wear products, it will not be as core as leggings and churidar. So what you are saying is right. Having said that, even when the category is still largely core, it is not as fast as fast fashion where every season you are procuring and then you might end up with dead inventory. If a legging churidar stayed in season for three years, four years, maybe other value-added products will be for more than a year and closer to two years. So I think the time period of its relevance reduces, but it's not fast fashion. It's not as risky as fashion where you can end up with unsold inventory. That's not really the case. But yes, your question is right, the fashion

portion slightly increases when we are talking about non-leggings and churidars, for sure. That goes without saying.

Manjeet Buaria: Okay. And my last question was on the inventory days. We have seen over the years, and I think I have read your comments on it over the last few years since you are listed, I see some apparel brands we can work with have significantly lower inventory day number, right, so what is different in our category? Because that's one thing, which sort of keeps our return on capital quite suppressed overall despite having reasonably good margins, right, even in the earnings call you have said that's probably 20%, so that's where the question is.

Gautam Saraogi: Yes. I think, look, we have studied our sourcing model and our product portfolio. We feel on a steady state basis, 85 to 90 days of inventory is what is apt from a product perspective because we have so many sizes, size and colors. It will be very difficult to operate below 85 or 90 days. Yes, there is room of efficiency. We will keep improving, but that is that number. So currently we have about 114 days and the reason why inventory has slightly gone up, your inventory days has increased because of muted sales, which I think in the coming quarters, it will stabilize.

See, we have been very sharp with inventory. So this is a very temporary increase in the inventory days what we are seeing in this quarter. It will stabilize in the coming quarters to come. But from an efficiency perspective, I think we can bring it down to about 85, 90 days, which we have done it in the past, and I think we will be able to bring it down to that level. Now, whether going below 85, 90 days for our kind of category and our kind of SKUs, a little hard to go below 85 days.

Manjeet Buaria: Got it. And lastly, related to working capital. Is there any waiver we have on payable days, or is that we get a better pricing and that's where the payable days stay in the longer run?

Gautam Saraogi: Yes. We get a better pricing, that's why we keep our payable days low, and that reflects in the gross margin.

Manjeet Buaria: Okay. Thank you for taking my questions.

Gautam Saraogi: Yes. Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for the closing remarks.

Gautam Saraogi: I would like to thank everyone for being part of the call. We have answered all your questions. If you need more information or any other questions, please feel free to contact Mr. Deven Dhruva from SGA, our Investor Relations Advisors. Thank you so much.

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