"Monte Carlo Fashions Limited

Q1 FY'25 Results Conference Call"

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MANAGEMENT: **MR. DINESH GOGNA – DIRECTOR – MONTE CARLO FASHIONS LIMITED**
MR. SANDEEP JAIN – EXECUTIVE DIRECTOR – MONTE CARLO FASHIONS LIMITED
MR. RISHABH OSWAL – EXECUTIVE DIRECTOR – MONTE CARLO FASHIONS LIMITED
MR. R.K. SHARMA – CHIEF FINANCIAL OFFICER – MONTE CARLO FASHIONS LIMITED
MR. ANKUR GAUBA – COMPANY SECRETARY – MONTE CARLO FASHIONS LIMITED

MODERATOR: **MR. VISHAL PANJWANI – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, welcome to the Q1 FY '25 Results Conference Call of Monte Carlo Fashions hosted by Emkay Global Financial Services. We have with us today Mr. Rishabh Oswal, Executive Director; Mr. Sandeep Jain, Executive Director; Mr. R.K. Sharma, Chief Financial Officer; Mr. Dinesh Gogna, Director; and Mr. Ankur Gauba, Company Secretary. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I would now like to hand over the conference to Mr. Vishal Panjwani, Emkay Global Financial Services. Thank you, and over to you, sir.

Vishal Panjwani: Hi. Good morning, everyone. I would like to welcome the management and thank them for this opportunity. I shall now hand over the call to Mr. Sandeep Jain, Executive Director for his opening remarks. Over to you, sir.

Sandeep Jain: Very good morning to everyone, and thank you all for joining us for today's earnings call to discuss the quarterly performance for the first quarter financial year ending 2025. Let me start by sharing the consolidated financial and the operational highlights.

For the first quarter under review, the company reported revenues of INR126 crores, which was a decline of 9% year-on-year. We had an EBITDA loss for the quarter of INR2.3 crores, which has narrowed from a loss of INR4.1 crores in the same quarter last year.

Net loss stood at INR13 crores for this quarter. Historically, the first quarter has been a relatively weak quarter for us and typically contributing only 10% to 12% of our annual revenues. We are yet to witness a significant improvement in consumption, although there are some positive indicators.

Our strategy to diversify our sales have started bearing fruits. Our online sales have picked up, particularly from our own website. Home textiles also will continue to show good growth this year. Brand Rock.it has also performed well and has been widely accepted by the market. We are committed to open 45 to 50 EBOs across India, including West and South.

Monte Carlo Fashions continues with its endeavor to build a leading branded apparel company with continued efforts to increase its distribution network. We have increased the total number of EBOs to 422 across 23 states and 4 UTs from 411 at the end of previous quarter.

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

Moderator: The first question is from the line of Jensen Jacob from Centra Insights. Please go ahead.

Jensen Jacob: Sir, I would like to ask the impact of the current Bangladesh situation on our business, especially the cotton segment?

Sandeep Jain: See, we are not affected by Bangladesh situation because we are not having any exports presence as of now. And also, we do not import anything from Bangladesh. So this is something which is a non-event for us.

Jensen Jacob: Okay. So there won't be a direct impact on our business?

Sandeep Jain: There is no direct impact on the company because of the Bangladesh issue.

Jensen Jacob: And sir, do you have a view on how it will impact on the industry overall?

Sandeep Jain: It may benefit some of the garment exporters in India as Bangladesh exports a lot of garments to different parts of the world. So if some disruptions of supplies are there from Bangladesh, it may shift some orders from Bangladesh to India. But in that case, it can help some exporters.

Jensen Jacob: Okay. And sir, my second question was regarding the demand situation right now. Do we see any uptick in our demand?

Sandeep Jain: We are seeing some positive offshoots starting July as compared to June and even August has begun well. So I think that going forward, work seems to be behind us. And we are looking forward for a positive start from quarter -- Q2.

Moderator: The next question is from the line of Swechha Jain from Whitestone Financial Advisors. Please go ahead.

Swechha Jain: Sir, I wanted to understand out of the formats that we have, EBO, MBO, NCS, e-commerce and SIS. So from this format, in which format the inventory actually lies in our book, and we record sales as and when it is sold? And under which format we do outright sales and then it is recorded under receivables?

Sandeep Jain: See, out of all the channels, like in LFS, it's completely on SOR model, but inventory lies in their end only. So in all these channels, we actually bill it, but there are some corrections, which is there in LFS and online and EBOs, but MBO is completely outright. So inventory lies at their end only. But yes, we do take some corrections at the end of the year respectively from all the channels...

Management: But in EBOs owned by the company, the inventory lies...

Sandeep Jain: And the COCOs, which are company-owned company operated, the inventory lies with us.

Swechha Jain: Okay. So you are saying only in COCO, the inventory lies with us and all the other channels, the inventory lies with them?

Sandeep Jain: Lies with the buyers, yes.

Swechha Jain: Okay. So -- and sir, in the -- so basically, all the other, it is an outright sale, right?

Sandeep Jain: No, it's not outright sales. Basically, like in LFS, it is -- I have mentioned that it is SOR, so we take returns at the end of the season. And also in EBOs it's a consignment sales, and we take back some goods at the end of the season. And we do give some corrections in the biathlon EBOs also. In online also, it is -- one area is biathlon, one is consignment sales where we take back some goods at the end of the season.

Swechha Jain: Okay. Okay. So in all -- my second question is a follow-up on this was only. What is the sales return policy for each of these channels? So you are saying that in all these channels, though the inventory lies at their end -- at the buyer end, the sales return is there at the end of the season, right?

Sandeep Jain: Yes. See, in case of MBOs and NCS, there are no returns. It's completely outright sales. Yes, in case of EBOs and in LFS and in online, there are returns at the end of the season. And approximately ranges from around 10%, 11% to 20% depending upon the channels.

Swechha Jain: Okay. Okay. And sir, in FY '24 end, we had an inventory of INR435 crores, which was obviously a little higher than the historical average due to the bad situation, the market condition. So just wanted to understand how much more discounting we will have to do to upload this inventory?

Sandeep Jain: No, no, we have already taken care of the inventory because some of the inventory which was lying in the last year was set-wise inventory, which we are dispatching in the fresh period in this financial year. So as far as I think margins are concerned, will be better off as compared to last financial year in supplying these...

Management: So March inventory includes summer...

Sandeep Jain: And the March inventory also includes the new summer inventory also, which has gone in April and May.

Moderator: The next question is from the line of Chirag Singhal from First Water Fund. Please go ahead.

Chirag Singhal: Just one question, I wanted to understand the revenue and margin guidance for this year?

Sandeep Jain: Revenue and margin guidance.

Chirag Singhal: Yes.

Sandeep Jain: Okay. So in earlier con call also, we have mentioned that we see a flat to single-digit growth in this financial year. But we would see that there is a significant jump in the margin as compared to last financial year. And we see that there should be at least 200 basis point jump in the margins -- EBITDA margins as compared to last financial year.

Moderator: The next question is from the line of Gunit Singh, Counter Cyclic PMS. Please go ahead.

Gunit Singh: I'm Gunit from Counter Cyclic PMS. How much jump in margins should we expect this year in FY '25?

Sandeep Jain: I think I answered in the last question that we see an improvement of at least 200% as compared to last financial in EBITDA.

Gunit Singh: 200 basis points?

Sandeep Jain: Yes.

Gunit Singh: In the previous con calls, we have been stressing about how we will focus more on diversification. But I mean, this did not show in the numbers of Q1, where we are still seeing seasonality of lower sales. So I mean, how do we look at -- how do we look at this going forward?

Sandeep Jain: See, Q1 is basically not a reference point for us as it contributes just 10% to 12% of our revenues as compared to whole year. So as we move forward in quarter 2, quarter 3 and quarter 4, you would see a significant difference as far as this summer season sales and winter season sales are concerned. But there are quarter-to-quarter variations as far as sales are concerned.

Gunit Singh: All right, sir. Sir and I would just request you one more thing to please consider buyback before 1st of October because after that, it would virtually almost be impossible to do buyback with the new taxation scheme. And we have good cash reserves, I would just request the management to consider doing a buyback before 1st of October to reward the long-term shareholders.

Sandeep Jain: Yes, thank you for the suggestion. We have noted your point. And definitely, we'll discuss in the management meetings.

Moderator: The next question is from the line of Keshav Garg, Countercyclical. Please go ahead.

Keshav Garg: Sir, I'm trying to understand that what is the net cash on our books as of today?

Sandeep Jain: Yes. INR282 crores.

Keshav Garg: Sir, is it INR232 crores or INR32 crores?

Sandeep Jain: INR282 crores.

Keshav Garg: INR282 crores. Okay, sir. And also, sir, like you said last year also was a -- I mean, we degrew last year in FY '24. And even despite that, you are expecting a flat year, I mean, even on a lower base, so I mean, what's the reason for that and especially considering that we even expanded our SKUs in shoes, et cetera. So despite that, sir, why aren't we able to grow because we are opening new and new stores in the south, et cetera. So then, I mean, why aren't you able to grow from a small base? That's my question.

Sandeep Jain: I think you have said a very right question. But basically, what happened in this financial year was that our focus changed completely to profitable growth. So we have to close some of these stores, which were unprofitable. And to compensate that, we have opened some new stores and also we have closed some SOAs in other areas where we were actually incurring some losses.

So that is why to compensate that, yes, new stores have added, but we do not see any growth as far as this financial year is concerned. But definitely, we can revise our guidance after Q2. So once we have our -- even summer trade show in our hand, which is happening in August last week and also some of the winter season sale, which starts in September and October, so we can revise our guidance. But before that, as of now, as distribution is pending is still at the same level and consumption is still down. But there are some good signs of economy reviving.

One is the monsoon has been normal, so -- which is actually putting us in a sweet spot that this will drive the rural economy. And secondly, we see a very big wedding season coming ahead as compared to last wedding season in India. So we have more number of days as compared to last season. So these 2 things definitely can change the outlook, but that we can only address it in the quarter 2 con calls.

Keshav Garg: Sir, and also, sir, I understand that we had some capex plan to manufacture home textile or blankets in Jammu, which was subsequently canceled. So any further capex that we are looking at any plans to get into, again, quilt manufacturing or that has been permanently shelved?

Sandeep Jain: We saw diligently that actually, it was because of some expansions from other manufacturers in India only. So it tends to be their competitive, but it used to be 2 years back. So that was the reason of dropping it off this expansion. And even actually, we are getting at least 2% to 4% cheaper as compared to last year, the blanket and the quilts. So it doesn't make any sense to put up any manufacturing unit -- so rather, we are concentrating on the marketing.

Keshav Garg: So we have no capex now going forward?

Sandeep Jain: So normal capex of around INR15 crores to INR20 crores, that includes some replacement of machines and also some expansion of warehouses and all.

Management: No new...

Sandeep Jain: But no new capex is there.

Management: No new capex to start a new factory...

Keshav Garg: Sure. Sir, and also from -- originally from woolen, where we have expanded into cottons and home textile, even kids wear. Sir, so any plans to get into Indian ethnic wear?

Sandeep Jain: See, as of now, we don't have any plans for ethnic wear. We are just concentrating on our existing range. And also on the newer brands, which we've launched in last few years like Rock.it like Cloak & Decker and also our home division. So that is showing a lot of, I would say, that growth going forward. So these are the areas which will definitely be high-growth areas plus existing areas where we are continually growing from last many years.

Keshav Garg: Great. Sir, one last thing, sir, like the previous speaker had suggested. Sir now after the -- 1st October is the deadline. And after that practically buyback will be impossible. So whatever distribution we have to do, sir, we can do it through a buyback for simple Board resolution. Sir, shareholder approval is also not required up till 10% of outstanding share capital buyback.

So kindly consider that, sir, because after that, we will never be able to do that. And since this is a lean period for our company, then probably it's a good time also as per the valuation, sir because we can extinguish our outstanding share, so our earnings per share will permanently go up. So that's the humble suggestion from the shareholders.

Sandeep Jain: Yes, definitely, we'll look into it.

Moderator: The next question is from the line of Mr. Vishal Panjwani, Emkay Global Financial Services. Please go ahead.

Vishal Panjwani: I wanted to understand a bit of color on demand trends like how was the Q1 like, April, May and June like month on month any updates that you are seeing?

Sandeep Jain: So I would say that the demand has not been that great in the Q1. That is reflecting in the sales also. But beginning July, we have seen some improvement, and August has also begun well. So that is making us a little confident of going into Q2 and Q3.

Vishal Panjwani: And sir, how do you see the demand upcoming for this winter season and like how do you see your inventory freshness in that sense for the present fashion and trend?

Sandeep Jain: Inventory is under control. As last year, we had some issues of inventory. But this year, we have taken corrective actions. So this year, inventory is under control, and we are very positive going into quarter 2 and quarter 3.

Vishal Panjwani: Okay. And sir, your working capital days have been down, so some improvement from last year, but still remains bit elevated at 158 days at end of FY '24. So where do you see the opportunity of improvement in sales and...

Sandeep Jain: It will remain same at this level only. I don't see any further improvement in working capital.

Vishal Panjwani: Okay. And sir, you have reported that your online and other channels is around 9% for this quarter, sir. What is the mix of our own website versus other big platforms such as Amazon, Flipkart?

Sandeep Jain: So I'll ask Rishabh to answer this question.

Rishabh Oswal: So I think until our first quarter, we've done a total e-commerce sale of around INR14 crores as compared to INR9 crores. And out of this, around INR4 crores is from our own website and the rest INR10 crores is from different marketplaces.

Vishal Panjwani: Okay. And sir, what would be the marketing spend for the full year as in percentage terms and do you see increase in that to take the advantage of the green shoots that we are seeing?

Rishabh Oswal: Look, we will be sticking to an average marketing spend of 3%, 3.5% of the total revenue.

Vishal Panjwani: Okay and last question from my end, sir you sort of indicated 45 to 50 stores opening. So do you see if the demand is going to -- you plan to accelerate the same? And what would be the approx capex for this addition?

Sandeep Jain: See, in our EBOs, when we go for a franchise-operated EBOs, there is no capex from company's end. But yes, there is around 10% of the EBOs, where we don't have a franchise basically mostly in the Southern region and in Delhi region where the enters are high. We go and do our own EBO, so the capex is around INR2,000 per square feet. So approximately, if a EBO is 1,500 square feet, so INR30 lakh capex per store. So you can assume around INR2 crores to INR3 crores of capex per year as far as company-owned EBOs are concerned.

Moderator: The next question is from the line of Sumangal Pugalia from Rare enterprises. Please go ahead.

Sumangal Pugalia: Can you talk a little bit in the detail about the EBO and specially company-owned company-operated strategy? I mean, how do you actually see this is the area where you're investing and putting a small footprint. So how do you see that playing out in the next 2, 3 years? And how do you actually also evaluate locations and see the progress because it's difficult to understand the progress so far on these stores so far.

Sandeep Jain: See basically, if we see that the COCOs are basically around 10% to 12% of total EBOs. So this ratio will be for this and next financial year also. So the reason for opening COCOs basically are in those locations, which are of high rental where the franchisees can't make money out of it. And secondly, it require investment also as areas are large.

So company has decided where footfalls are high and where we can have -- where brand awareness is must as far as those locations are concerned. So company take a conscious decision of opening EBOs in those locations and also operate themselves and already I've like told that the capex is approximately INR2,000 per square feet.

Sumangal Pugalia: Right. Any comment on the progress of this year, EBOs, how have they performed in the last couple of quarters versus our expectation?

Sandeep Jain: See, I think the first quarter has been weak as it's indicated in the Q1 performance also, but July has begun well. So we can see that Q2 performed better than as compared to last Q2 as far as of today, we see the sales.

Sumangal Pugalia: Okay. And you spoke about, I mean, the inventory correction steps that we've taken from last season and this. So can you talk a little bit in detail actually how are we preparing for the Q3, Q4 in terms of, I mean, the corrective measures that we've taken from lessons from last year, what are the steps we've taken to prepare for Q3, Q4 a little bit more granularly?

Sandeep Jain: See, what happened is last year as we all know that it was basically a year where we had a delayed winter and also less winter season as compared to normal seasons. So what happened in there was, so there was a lot of inventory, which got stuck at these stores. So we took a conscious decision of calling back that inventory even that resulted in loss also at that point of time. But what we did was that we actually refinished it and also we made some sets out of that.

So out of that inventory, at least 10% to 15% inventory is going into fresh in this financial year. So that is giving us a lot of money as compared to normal scenario where we sell it in our discounts when we sell it in a loss. So that would definitely save us a lot of money in this financial year. So this year -- as far as this year is concerned, I think all these inventory issues have been taken care of in the last financial year.

And we are going very clean as far as this winter dispatch is concerned. And we're confident that this year, the inventory issue will not be there because of the corrective action taken by the management in the last financial year.

Sumangal Pugalia: Right. And on the -- I mean performance so far, also, we have seen volume degrowth happening while realizations have improved taking probably price hike, but volume degrowth is in double digits also now. So do you see that is the growth that we -- even in the next Q2, Q3, we see volume pick -- growth year-on-year happening again?

Sandeep Jain: No, there is no volume degrowth. There is some confusion. Actually, there has been volume growth, but because of higher discounts, it resulted in lower realizations. But the volume growth was there if at all -- even in last financial year also.

Sumangal Pugalia: Okay. And maybe just looking at the previous slide on your web presentation.

Sandeep Jain: Sorry?

Sumangal Pugalia: No, I'm saying I was just looking at the segmental volumes based on the presentation.

Sandeep Jain: Yes, this year, again, I'm saying for this quarter, this is not an indicator of full financial year. But what I was speaking of, it was the last financial year that volume didn't go down. It was the higher discounts, which brought the sales down. So this first quarter is not indicative of a volume. So it's better to see quarter 2 and quarter 3 performance, then only we come to know the actual volumes.

Sumangal Pugalia: Sure. And also, can you talk a little bit about the brand strategy in a big picture sense, how do we really aspire to build the Monte Carlo brand out and what is the kind of big picture strategy that the management thinks about this?

Sandeep Jain: See, we aspire to be top 5 brands in the country, and we have been there in that place. But there is some hiccups in the last financial year because of delayed winters and also less winters. But we are very confident that as focus is moving from winter to summer. So that is bringing down the dependence on winter year-on-year, even it used to be 100% at one point of time, which has come down to 50% and it is going down every year as summer sales have been growing. And we are confident that we'll be aspirational brand for our consumers. And also, our focus will definitely be keep on shifting to summer wear going forward.

Moderator: The next question is from the line of Mr. Deepak from Carnelian Capital. Please go ahead.

Deepak: So my first question is that you said that in COCO stores, there's a capex of INR2,000 per square feet on 1,500 square feet of size. So that is around INR3 crores.

Sandeep Jain: INR30 lakhs.

Deepak: INR30 lakhs, sorry. So -- and how much is the inventory in one store?

Sandeep Jain: Inventory, it depends on the season. In summer season, the inventory is approximately INR35 lakhs to INR30 lakhs. In winter season, it becomes around INR70 lakhs to INR80 lakhs. And then it keeps on adding the inventory as the liquidation goes on.

Deepak: Okay. And you also said that the rental part, so what is the rental of generally a store which you are opening, COCO store? Is it INR100 per square feet or INR125?

Sandeep Jain: It depends on location to location. Metros have even INR300 per square feet also and Tier 3, Tier 4, and Tier 5, they are INR50 to INR70 per square feet also. And also it depends on the locations. Locations which are of higher footfalls, normally have higher rentals and location, which are of low footfalls have normally lower rentals. So there's no fixed formula for rental for the locations.

Deepak: But if I have to take the average for your COCO stores...

Sandeep Jain: The average you can assume at around INR150 a square feet.

Deepak: INR150, 1-5-0?

Sandeep Jain: Yes. That's a normal basically, minimum, I can say there. But in metro, it is normally around INR200 per square feet. Maybe more than that. But there's no fixed formula as it depends on location to location.

Deepak: Okay. Got it. And so currently, your presentation says that there is almost INR1.4 crores of sales per store, it happens, right, gross sales.

Sandeep Jain: Approximately, it is INR14,000 per square feet.

Deepak: But what is the net sales here?

Sandeep Jain: Per annum. Pardon?

Deepak: What is the net sales here...

Sandeep Jain: I'm not talking about the gross sales, it's a net sales around INR14,000 per square feet in case of North, East, Central. But in case of Western and South, it is around INR8,000 per square feet.

Deepak: Okay. So on an average, when I say there are -- I think there are 2 sizes, which is 1,000 square feet size, which you used to have earlier and now it is the 15 -- sorry, 1,500 square feet size. So in a 1,000 square feet size. So what is the average sales generally happens and what is in the 1,500 square feet?

Sandeep Jain: You can multiply INR14,000 into 1,000, it's INR1.4 crores of annual sales that happens in that 1,000 square feet stores.

Deepak: It is gross sales or net sales?

Sandeep Jain: No, it's net sales. What I'm talking about here is the net sales of EBOs at the POS level.

Deepak: Okay. So actually, your presentation on Slide number 7, it says that there is a -- the FY '23, there was a INR1.55 crores of gross sales per store.

Sandeep Jain: That must have included GST.

Deepak: Okay. And then in FY '24, it goes down to INR1.4 crores revenue per store.

Sandeep Jain: Yes, because the sales have gone down in financial '24 because of that reason only.

Deepak: And the returns which happened, so is that included in this or not?

Sandeep Jain: No, returns are -- after returns only this is net sales.

Deepak: Okay. But it says gross sales in the presentation, okay?

Sandeep Jain: What I'm indicating is that, the INR14,000 square feet sales what I'm mentioning is the net sales which happen at a POS level. So returns are already minus in that.

Deepak: Sir, sorry, just to persist on this point. So in your presentation, it is a per store sale. It is not saying per square feet sale. It is saying per store sale is INR1.4 crores.

Sandeep Jain: And what I'm saying is there because normally we see that 1,000 square feet of store. So that generates a INR14,000 per square foot revenue per annum. So that becomes INR1.4 crores of sale per store. But I think in presentation, they have averaged out all the numbers of stores divided by a number of stores and divided by total number of sales -- total sales, so it comes then INR1.4 crores of sales for outlet. So it's not the same everywhere, somewhere it is 14,000 square feet, in case of Bihar in some of the stores, we have INR40,000 per square feet sales. So average sales per outlet is INR1.4 crores across all regions.

Deepak: And how many stores are 1,500 square feet stores at the moment?

Sandeep Jain: That we need to check it, but I think it should be around 50 stores.

Deepak: Okay. So out of 122, there are 50 stores, which have 1,500 square feets?

Sandeep Jain: I need to check it again because I can't say it with accuracy, so we can come back to you with the total number of stores who are -- which are above 1,500 square feet or about 2,000 square feet.

Management: So this we started last year.

Deepak: Okay. Got it. And generally, what kind of margins you make in a COCO store?

Sandeep Jain: See that we can come back to you after going through the calculations. I'm not having a ready numbers with me.

Moderator: The next question is from the line of Sanjay Munjal, Investor. Please go ahead.

Sanjay Munjal: So my question is regarding the footwear segment, we recently forayed into the formal footwears, like is it getting good traction from the customers? And like do we plan to add the footwears into rest of our all stores? Like recently, we added these shoes into our only big stores, but not all of the stores. So do we plan to add the formal footwears into all of the stores? And is it already getting good traction in the e-commerce as well as into the big stores?

Rishabh Oswal: Sanjay, just to answer your question, we had sent a footwear to around 50 of our exclusive brand outlets. However, what we realized was most of our outlets were not equipped to serve the footwear customer. So what we are trying to do, we're trying to reduce the number of offline stores as of now, and we are trying to make the future stores that are coming up to have sufficient space and shelving according to footwear.

However, that being said, we are getting a very good traction when it comes to online sales of footwear. So right now, our focus is towards developing a range, which caters to the online market, and we've got very encouraging results when it comes to online sales. Most of the sales that you see of footwear is from our online channels only. EBOs currently are contributing very less when it comes to footwear.

Sanjay Munjal: Okay. And do we plan to add like go beyond the formal shoes like into the sports shoes and other segments?

Rishabh Oswal: Not sport shoes as specifically. But yes, obviously, we have some sneakers also and casual sneakers, but sportswear is a very technical product. So we are not foraying into that as of now. We are sticking to fashion, both formal and casual.

Sanjay Munjal: Okay. And I have one more question regarding our athleisure brand Rock.it. We recently added one store into the Rohtak area, right? And do we plan to have more stores in the athleisure segment?

Rishabh Oswal: Yes. So we've just opened one store a couple of months back. We've seen good results from that. We are targeting to open 2 or 3 stores, not more than that in this financial year. We're going to see how the stores perform, and then take a call going forward.

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

Devanshu Bansal: Yes. Sir, I just wanted to understand consumer behaviour here. So we are seeing muted trends in the physical channel, but online is doing really well for us. So do you think this is a structural thing where people are moving more towards convenience and footfall from the streets reducing? So what's your thought on that? And if this is true, then how are we sort of strategizing to capitalize on this changing consumer behaviour?

Rishabh Oswal: So see, there is no denying that online is growing, but also the offering channels are growing as quick. When it comes to -- specifically, I mentioned that people are buying online is for footwear as a category. See our stores are made for -- to serve garments as a product. Footwear requires a special space, special sitting place, special type of salesmen to be present in our EBOs, which we don't have currently and our store size are ranging on an average range from 1,000 to 1,500 square feet.

So I don't think so it will be prudent for us to keep footwear as a category in these store as of now, however, we are trying -- we have opened a few stores which are 4,000, 5,000 square feet in size. There, we have a dedicated workspace, men specially for footwear where everything is done according to what a customer would require when buying a piece of footwear.

So that said, online, it is much easier to expand into a category as we don't -- other than the SKUs, we don't need anything else. So that is why I said that we have seen more traction online. But our off-line channels, including our MBOs, large format and our EBOs are seeing strong traction and growth in other categories.

Devanshu Bansal: Got it. And incrementally -- thanks for answering this. A small question on this. Do you false returning to say pre-COVID levels…

Rishabh Oswal: Sorry, your voice is breaking. I could not hear the question.

Devanshu Bansal: Rishabh, so thank you for answering the online part. I just wanted to check for falls, specifically, do you expect in the upcoming season for footfalls to come back to pre-COVID levels? Is this a right anticipation or structurally some of the demand has shifted to online channels?

Sandeep Jain: Can you please repeat it. We're not able to understand your question correctly.

Devanshu Bansal: Sir, I just wanted to understand -- is it better or is it...

Moderator: Sir, you're not that audible. Can you come closer to your handset, please?

Sandeep Jain: You mean that -- how we are positioned as a pre-COVID sales, you wanted to ask?

Devanshu Bansal: So I just wanted to understand from an industry demand perspective, do you anticipate footfalls in physical stores to return back to pre-COVID levels or there is a structural demand shift towards online?

Sandeep Jain: It's already there. If we talk about the pre-COVID sales, we have already closed last financial year. So already, the footfalls have gone up as compared to pre-COVID. And it's only in the last financial year, so there have been some degrowth because of winter season. Otherwise, the footfalls have been back.

Moderator: Thank you very much. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Sandeep Jain: Yes. Thank you, everyone, for participating in this con call. And we hope that we have been able to answer all your questions satisfactorily, but in case if there is any queries, which have not been answered or you would like to shoot, you can always shoot to our IR advisers, Valorem, and thank you very much.

Moderator: On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.