

May 12, 2023

<b>BSE Limited</b> Scrip Code: <b>543401</b>	<b>National Stock Exchange of India Ltd.</b> Trading Symbol: <b>GOCOLORS</b>
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Dear Sir / Madam,

**Subject: Transcript of Earnings call – Q4 FY 22-23**

We hereby enclose the transcript of earnings call for the financial results for the quarter and year ending March 31, 2023.

This is for your information and records.

Thanking You,

For **Go Fashion (India) Limited**

**GAYATHRI**

**KETHAR**

**Gayathri Venkatesan**

**Company Secretary & Compliance Officer**

Digitally signed by GAYATHRI  
KETHAR  
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**Go Fashion (India) Limited**

*(Formerly Known as Go Fashion (India) Private Limited)*

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“Go Fashion (India) Limited  
Q4 FY '23 Results Conference Call”

May 05, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 6<sup>th</sup> May, 2023 will prevail



**Management**

- **MR. GAUTAM SARAOGI– CHIEF EXECUTIVE OFFICER – GO FASHION (INDIA) LIMITED**
- **MR. R. MOHAN – CHIEF FINANCIAL OFFICER – GO FASHION (INDIA) LIMITED**
- **MR. DEVEN DHRUVA – SGA, INVESTOR RELATIONS ADVISORS**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 FY '23 Earnings Conference Call of Go Fashion (India) Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gautam Saraogi, CEO. Thank you, and over to you, sir.

**Gautam Saraogi:** Thank you. Good evening, and warm welcome to everyone present on the call. Along with me, I have 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 them on the stock exchange and the company website. FY '23 has been a remarkable year for Go Fashion (India) Limited. Despite a slowdown in the retail and consumption space, we have grown faster than the industry and has outperformed. In Q4 FY '23, our revenues grew by 36% to INR158 crores, both driven by volume growth and consistently increasing number of EBOs. Our SSSG at 17% for Q4 FY '23, and the year SSSG is 36%.

Compared to FY '20, our SSSG is 32%. Our same cluster sales growth for EBOs stood at 30% for Q4 FY '23 and 64% for the full FY '23. These numbers reflect our commitment to delivering quality products and providing our customers with a seamless shopping experience. SSSG volumes have also grown by 5% in Q4 FY '23 and 24% in FY '23 Y-o-Y. Our product is core and essential to consumers, and we operate on a business model that offers limited discount, resulting in greater profitability. 95% of our sales of FY '23 are there in full price. And our EBO average selling price has increased continuously, primarily on account of value-added products that we have introduced as part of our portfolio.

Our ASPs for FY '23 stood at INR727 a unit. During the last year, the company introduced new products in the western and fusion wear segment. We introduced Ponte Wide Pant, Chino Pant, Cotton Pencil Pant, Active Legging and Crepe Pant. We will continue with our innovative and creative approach and launch more design while providing more brand destinations for our consumers.

Our focus will be on consumer -- customer acquisition to drive sales to our website and online marketplaces, enabling us to grow and gain market share in the coming years. In line with the growth strategy, we have added 26 new stores in Q4 FY '23 and 127 new stores in FY '23, , helping us bring our customers closer to our product.

We are also exploring customers and regions across all cities. Our focus is to improve our operating efficiency and ensure efficient supply chain management through global best practices. We are upgrading our warehouse to optimize our inventory and supply management. Coming to our working capital and cash flows. We have reduced our working capital days to

149 days as of 31st March 2023 compared to 190 days as on 31st March 2022. This has been mainly due to improved inventory management and getting inventory levels down to 4 months. Over the next 12 months, our target is to further reduce the inventory days to 90 to 100 days.

This has helped us generate operating cash flow Pre IND-AS 116 of about INR19.5 crores for the year. During the last quarter, the company took a write-off of INR4.76 crores related to Future Lifestyle Fashion Central. We don't have any further exposure to the above said company. Building a strong branding team has always helped develop a clear brand identity, communicate that identity to our target audience and create a strong presence in the market.

We look forward to continuing our innovative and creative approach and lot more designs while providing more brand destinations for our consumers, which will help us grow at 20% plus CAGR and gain market share in the coming years. Also, I would like to thank our employees, partners, customers and shareholders for the continued support and trust they have in us. We look forward to another successful year ahead. With this, I would like to hand over the call to our CFO, Mr. R. Mohan, for the update on Q4 and FY '23 results and financials. Thank you.

**R Mohan:**

Thank you, Gautam, and good evening, everyone. The company has posted strong performance for the quarter and the year ended 31<sup>st</sup> March '23, backed by increased demand across product categories. Our revenues for the quarter stood at INR157.6 crores as against INR116.2 crores in Q4 FY '22, a growth of 36% Y-o-Y. Gross profit stood at INR100.5 crores, a growth of 40% Y-o-Y, with a GP margin of 63.8% for the quarter. Our EBITDA for the quarter stood at INR49.6 crores as compared to INR39.4 crores in Q4 FY '22, a growth of 26% Y-o-Y.

Our EBITDA margin stood at 31.5%. Profit before tax for the quarter stood at INR19.3 crores, a growth of 27% Y-on-Y, whereas profit after tax for the quarter stood at INR14.8 crores, a 20% Y-o-Y growth from Q4 FY '22. PAT margins stood at 9.4%. Coming to the FY '23 performance. Revenues stood at INR665.3 crores as against INR401.3 crores in FY '22, a growth of 66% Y-o-Y. Gross profit stood at INR403.6 crores, a growth of 67% Y-o-Y, with a GP margin of 60.7% for the year. Our EBITDA for the year stood at INR212.3 crores as compared to INR122.2 crores in FY '22, a growth of 74% Y-o-Y. Our EBITDA margins stood at 31.9%.

Profit before tax for the year stood at INR108.7 crores, whereas profit after tax for the year stood at INR82.8 crores. PAT margin stood at 12.4%. Cash flow from operations Pre IND-AS for FY '23 has turned positive and stood at INR19.4 crores as compared to minus INR 21.46 crores for FY '22. Cash flow from operations Post IND-AS for FY '23 stood at INR104 crores as compared to INR33 crores for FY '22. RoCE and RoE stand at 15.9% and 17.3%, respectively, for FY '23. With this, we will now open the floor for questions.

**Moderator:**

Thank you. Our first question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:**

Congratulations on a very strong performance in Q4. Sir, in the PPT, this time around, you have presented a target to take EBO mix to 80% over the next few years versus a target of about 90% for combined EBO and online channels. So what is the reason for this change?

- Gautam Saraogi:** No. See, we had initially said that we want to do EBO and online together to 90%. But of that 90%, we always estimated that EBO would be 83% - 84%. So our first target is to at least reach the 80% number. So currently, our EBO mix is 74%. So first target over the next 2 years or 2.5 years is to reach the 80% number. So the overall target is the same that we want to make 90% of EBO and online together, but our first milestone would be to at least get to 80% of EBOs, which is currently at 74%.
- Devanshu Bansal:** Got it, sir. And your initial remarks also pointed to some slowdown in the consumption trend. So I just wanted to check if you could throw some light on the SSSG trajectory going into FY '24. And also wanted to check whether that SSSG profile would be similar across quarters? Or do you expect H1 to be slightly limited and then we'll see a growth turn around in H2?
- Gautam Saraogi:** See, currently, Devanshu, there is a slowdown, which was happening in Q3 and Q4. We have seen that the slowdown has slightly started improving and the sales are coming back to normalcy. As far as Q1 of FY '24 is concerned, it's a little too early to comment what would be the SSSG in H1, but our target still remains the same of wanting to achieve above 10% SSSG for the full year. It's very difficult to quantify what would be the SSSG for Q1 because it's too early to give the numbers, but there is a definite improvement in Q1 over Q4, the market and the slowdown is definitely improving.
- Devanshu Bansal:** Got it, sir. That's fairly encouraging. And we have also talked about 20 to 30 days of working capital reduction in FY '24. Just wanted to understand the major drivers for this improvement?
- Gautam Saraogi:** See, we have been really optimizing our inventory. So if you -- Devanshu, if you see in -- if you take from September to March, our absolute inventory value has not increased significantly. And that is why because of optimization and purchase, we have seen operating cash flow generation to the tune of INR19.5 crores for the full year. Now the inventory is continuously getting optimized. So we are looking to take this 120 days of inventory to at least 100 -- over 3.5 months to 100 days of inventory over the next 2 to 3 quarters. And that reduction in inventory is going to result in the reduction in working capital.
- Devanshu Bansal:** Got it. Sir, can you mention the cotton stock, which is the raw material present on the balance sheet as of FY '23?
- Gautam Saraogi:** Sorry, can you come again, Devanshu?
- Devanshu Bansal:** Can you call out the value of raw material inventory, which is there at FY '23 and on the balance sheet?
- Gautam Saraogi:** Yes, I'll tell you. See, it is -- we're having -- our total inventory is about INR230 crores, and our fabric inventory would be about INR70 crores to INR75 crores.
- Devanshu Bansal:** Got it. I have more questions, but I will join in...
- Gautam Saraogi:** I will tell you the exact number. It's INR44 crores. I can correct it, it's INR44 crores.
- Devanshu Bansal:** INR44 crores?

- Gautam Saraogi:** INR230 crores is the total inventory and INR44 crores is the RM inventory.
- Devanshu Bansal:** Does this number compare to about INR60 crores of RM inventory last year, INR30 crores is comparable to INR60 crores, which is very...
- Gautam Saraogi:** In March '22, we had INR58.15 crores of inventory in RM.
- Devanshu Bansal:** Okay. Got it. I have more questions, I'll come back in the queue.
- Moderator:** Thank you. Our next question is from the line of Varun Singh from ICICI Securities. Please go ahead.
- Varun Singh:** Congratulations for good set of numbers. Sir, my first question is, can you share like-for-like growth on a normalized base quarter the way we were sharing for -- since last 3, 4 quarters?
- Gautam Saraogi:** See, if on a normalized basis, see, on a same store level, we've done 17% at the value level and 5% on a volume level in -- unlike I had mentioned and guided, we are looking at about 10% same-store sales growth going forward on a normalized basis at the value level and 4% to 5% is the volume level.
- Varun Singh:** 4% to 5% volume, okay. Understood.
- Gautam Saraogi:** Correct.
- Varun Singh:** And sir, second question also, I mean, the overall volume growth for the current quarter would be how much, year-on-year?
- Gautam Saraogi:** See, Q4 -- you're talking about year, you're talking about Q4, Varun?
- Varun Singh:** Q4, Q4, sir.
- Gautam Saraogi:** See, Q4, actually, our volume growth -- overall volume growth is only 1%. And the reason why it is -- there is a very big disparity between our value and volume for the overall is because in Q4, our dispatches to LFS has been very muted. And the volume dispatches have been very less for LFS. That's why the overall company volume level looks very low. Having said that, we have a 36% value level, which is driven by some discounts, which have been reversed by Reliance in Q4. So we have got that upside of about Rs. 6-7 crores (**The actual figure is Rs. 9 crores. Erroneously spoken as Rs. 6-7 crores on the Earnings Call.**) in revenue because of that.
- Varun Singh:** And I'm sorry, I did not get the last part, what is the 36% thing with Reliance...
- Gautam Saraogi:** No, no. 36% is the value growth of the overall company level and the disparity of volume and value is -- are 2 reasons. One reason is because the dispatches to large format stores, the very less in Q4, and they were much lower than normal. And the value level is looking much higher because INR6 crores to INR7 crores of discounts they reversed, we got a credit note from Reliance in Q4 (**The actual figure is Rs. 9 crores. Erroneously spoken as Rs. 6-7 crores on**

**the Earnings Call.**), which were debited on us for over first 3 quarters, they reversed in the last quarter. So that upside we have got.

**Varun Singh:**

Understood. Understood. Sir, that's very clear...

**Gautam Saraogi:**

That is why you had the sharp increase in gross margin to 63% is because of the upside we have got in Q4.

**Varun Singh:**

Understood. And, sir, I mean, what exactly are these credit notes? Why would we get credit from Reliance?

**Gautam Saraogi:**

No. See, usually, this happens every year. This used to happen even pre-COVID. In Q1, Q2, Q3, there would be marketing debits and certain billable discounts, what Reliance would run. But as per our arrangement, you have a cap. And when it crosses the cap, that extra amount what was charged on us is reversed in Q4. So it's in the normal course of business. It's happened -- it used to happen every year and prior to COVID.

**Varun Singh:**

So sir, in that context, current quarter gross margin should ideally not be sustainable?

**Gautam Saraogi:**

Yes, 63% is a higher number because of the reversal. The steady state gross margin, what we are currently seeing is 60% to 61%.

**Varun Singh:**

Understood. And sir, my second question is what is the reasoning for substantial decline in revenue from multi-brand outlets, MBOs?

**Gautam Saraogi:**

No, there is no real decrease. See, MBO has always been a very small channel for us, Varun. We are selectively doing the channel as per -- wherever we have pricing control and wherever there is hygiene of inventory. So MBO is always going to be a very small channel. See, on a like-to-like basis, maybe last year, there would be an uptick in MBOs maybe in that particular quarter. But otherwise, we do MBO sales of about INR70 lakhs to INR80 lakhs of revenue every month.

**Moderator:**

Thank you. Our next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

**Prerna Jhunjhunwala:**

Congratulations on a good set of numbers. Sir, I just wanted to understand the same-store -- same cluster sales growth, which you started reporting. How should we read this? And some mechanism that you've -- some approach that you have used in this creation of new metrics, if you could guide -- explain this, it will be great.

**Gautam Saraogi:**

See usually, any cluster, Prerna, which has 2 or more stores, that qualifies for a cluster. And usually, it can be in a radius, any cluster can be defined between the radius of, say, 500 meters to a kilometer to the extent of even 2 to 2.5 kilometers. So it's very subjective to that particular location. Sometimes 500 meters also is as good as one cluster and sometimes 2 kilometers or 3 kilometers also is one cluster.

So it depends on the area and locality of that city. But for a cluster to qualify as a cluster, there actually should be 2 or more stores. So if I take, today, we have 630 stores, right? So out of 630

stores, 200 stores don't fall into clusters. The balance 400 to 430 stores fall into clusters. So we have approximately, if I'm not wrong, about 150 to 160 clusters overall, if I take in the entire business. From a guidance perspective, see, because we have just started tracking this data and we have started reporting it, it's early days. But what we have noticed is whatever is our SSSG, usually double of that is the same cluster sales growth.

- Prerna Jhunjunwala:** Okay. And why would that be?
- Gautam Saraogi:** That's because SSSG would always be lower than same cluster same store because we are adding more number of stores in the same cluster. So SSSG would...
- Prerna Jhunjunwala:** Okay. So for example, if you had 2 stores in a cluster and third store gets added. So in that cluster that one new store in sales will get added, and it will be on a base of 2 store versus 3 store. Is it the right way to understand?
- Gautam Saraogi:** No, no. See, same cluster sales growth is simple. When I'm adding a new store, suppose, for example, there is one locality, locality A, which had 3 stores last year in Q4. And I've added 2 stores in the same cluster this year in Q4. So then the cluster -- that cluster sales of 5 stores would be divided by that same cluster with 3 stores and then calculating the growth. So the same cluster will always -- that's why the cluster will always show a higher growth than that store individual.
- Prerna Jhunjunwala:** Okay. Understood. Understood. Sir, my next question is on ratio between core versus fashion, what would that be today versus earlier?
- Gautam Saraogi:** See, Prerna, more or less, all our products are core, but the very old core products, which are leggings and churidars, they are about 45% of our sales, 45% to 50% of the sales. And the balance is all our other value-added products in the core, like pants, trousers, harem, patiala, palazzos, they contribute to the balance of 55% to 50% of the...
- Prerna Jhunjunwala:** Okay. And this gross margin improvement, will it be because of raw material improvement or lesser discounted...
- Gautam Saraogi:** No. So Prerna, the reason for this improvement in gross margin, which I just mentioned is because we have got reversal of many discounts and marketing debits, which had happened on us in the first 3 quarters. We have got a rebate of that in the fourth quarter. So when we get such rebate, those are added on to the revenue. And that's why we have a higher gross margin in Q4.
- Prerna Jhunjunwala:** There is no component of lower raw material prices...
- Gautam Saraogi:** We haven't seen that yet. So the advantage of the lower cotton prices are still not really kicked in yet. We'll probably have more clarity by next quarter.
- Prerna Jhunjunwala:** Okay. Okay. That was what I wanted to understand.
- Gautam Saraogi:** So this improvement in gross margin is largely because of the reversal of the discounts and marketing in the fourth quarter.
- Prerna Jhunjunwala:** Understood. Understood. So cotton impact is yet to be visible.

- Gautam Saraogi:** Yet to be visible. We're still monitoring. We'll probably get better info by the end of this quarter.
- Moderator:** Our next question comes from the line of Vikas Jain from Equirus. Please go ahead.
- Vikas Jain:** Congratulations for a great set of numbers. Sir, my first question is with respect to the demand to value. While our numbers definitely does not show any kind of weakness or the sluggishness that most of the people talked about in the entire referral category. So what do you think is it more of driven by the market share gains? Or is it like the demand in the category that we operate is something that has not seen any -- or an equivalent slowdown or people are like -- what according to you would be is something that is driving the demand in our category?
- Gautam Saraogi:** See, Vikas, definitely, our category of bottom-wear is less impacted compared to the other categories in apparel sector in the retail because the bottom-wear category is a very working category. There is not too much of competition. There is a very big movement from unorganized to organized. So if you take the overall retail scenario, the bottom-wear category is still far -- is less impacted, I would say, from that concept.
- So I think the reasons for us to have done well during this time is largely because of that. But this slowdown what we have seen in apparel retail, what we are seeing at the front end is that it's improving, and we've seen an uptick in sales from Q1. So we're quite hopeful that by the time we touch Q2 or Q3, the market will come back to normal.
- Vikas Jain:** Sure. Sure. Understood. Understood. And the last part that you mentioned that we have seen an improvement in the apparel, is that something that has been driven by the vacation times and the shopping that generally kicks in from the April and May month, is that what you say?
- Gautam Saraogi:** I mean, look, see, the way we judge is that usually Q4 is our weakest quarter, right? So when we get into Q1 next year, there has to be an uptick of sales. And this time, the uptick of sales has been quite positive in Q1. So looking at that uptick, we are able to gauge and think the market will improve.
- Vikas Jain:** Understood. Understood. Sir, second question is with respect to the new product launches that you have done. So is it like all of our stores and the LFS, those that we are there, all of them do have these products in their portfolio? Or is this like a very recent launch and they are yet to reach all of the stores?
- Gautam Saraogi:** So, Vikas, see, whenever we launch new products, we launch it in very select stores in the EBO channel. And we launch it in very, very small quantities because these are new products. As and when the sales of such products increase, we increase the number of those and automatically the -- eventually the products also get introduced in LFS. But to begin with, it will not be introduced in LFS, it will be introduced in only select stores, in very small quantities.
- Vikas Jain:** Understood. Understood. So sir, in a life cycle of a product or a type of product that we launched, within what period of time does that we give the entire store count that we have?

- Gautam Saraogi:** See, usually, for any good product we launch, it takes usually about a year, 1.5 years to settle down. And then probably -- if it probably does well, then after a year, 1.5 years, it slowly starts going into more and more stores.
- Vikas Jain:** Okay. Correct. Sir, third question with respect to our working capital. So definitely we have done some good work with respect to bringing down our inventory levels. So from 149 days, what would be our target in the next year that we are assuming to come to?
- Gautam Saraogi:** See, our target would be having -- by the end of next year, we are looking to have about 90 to 95 days of inventory, about 40 days of receivables. So we are looking at about 118 to 120 days of working capital.
- Vikas Jain:** All right. Understood. Understood. And sir...
- Gautam Saraogi:** But this will take about 3, 4 quarters. So we are looking to get to this number by end of next year -- by end of FY '24.
- Vikas Jain:** And the most part of it will be coming through the inventory reduction only, right?
- Gautam Saraogi:** No. No. It's going to be only because the 30 days, what we are targeting is going to be inventory. See, LFS receivables to come down will be a function of your EBO sales growing as a percentage. So that will happen very slowly. It will not happen immediately. See, it might come down by 3, 4 days or 5 days, but the real improvement in working capital will happen on the basis of inventory.
- Moderator:** Thank you. Mr. Vikas, may we request you to return to the question queue for follow-up questions as there are several participants waiting for their turn. Thank you. Our next question is from the line of Rajiv from DAM Capital. Please go ahead.
- Rajiv:** Sir, my question is on the capex number. So INR28 crores for second half for close to 60 stores, which you have added. It seems a little high as compared to the -- I mean, the usual unit economics, right? So can you explain that?
- Gautam Saraogi:** We'll have to check on this and come back, Rajiv. I'm not having that number handy on the capex. We'll have to just check in on that front and come back to you with a clarification.
- Rajiv:** Sure. Secondly, INR6 crores, INR7 crores numbers in terms of the credit note from the top line, then your gross margin is still higher than, let's say, Q3 and usually Q4 is a discount quarter, right? So the gross margin should ideally drop. And historically, this has been the case for you guys. But ideally, structurally, it should drop, right, in Q4 versus Q3? And what explains this?
- Gautam Saraogi:** See, usually, you're right. Q4, usually the gross margin would be lower. We have reported higher than the normal. So obviously, the larger impact of the gross margin is because of Reliance reversal of the discount. There is some upside we are seeing. It might be because of the decrease in RM prices. We are still studying that analysis, Rajiv. So we are not sure yet. Probably by the end of this quarter, we'll be able to come back with some concrete analysis on the gross margin improvement because of the decrease in RM.

- Rajiv:** No. No. So I have adjusted the denominator for that, let's say, the INR7 crores impact. And then if I calculate the 63 number, it falls to 62% in terms of gross margin. So there is still a 300 basis points plus improvement?
- Gautam Saraogi:** We are suspecting that it is because of the improvement in the RM prices because of the reduction in RM prices. But we are not sure yet because we're still doing the analysis. We are suspecting that it is because of the drop in RM.
- Rajiv:** This other expense line item is -- there's hardly any operating leverage we see there in the sense that is still 19%...
- Gautam Saraogi:** The other expense number is higher because of the write-off we did for Future Lifestyle. So we have done a write-off of about INR4.76 crores in the last quarter. So the other expenses have slightly gone up because of that.
- Moderator:** Thank you. Mr. Rajiv, may we request that you return to the question queue for follow-up questions. Our next question is from the line of Mr. Gopal Nawandhar from SBI Life Insurance. Please go ahead.
- Gopal Nawandhar:** Sir, can you just help us with the Pre IND-AS margins for financial year '23?
- Gautam Saraogi:** Sure, sir. So sir, in the Pre IND-AS margin, we had -- our EBITDA margin is about 19.4%. Pre IND-AS EBITDA for FY '23. And Post IND-AS EBITDA, 31.9%.
- Gopal Nawandhar:** So this is actually a lower versus pre-COVID, which we used to do around 21%, 21.5%?
- Gautam Saraogi:** Correct. It's about 200 basis points lower than pre-COVID and one of the reasons is because of the write-off of Future Lifestyle what we've taken.
- Gopal Nawandhar:** Okay. Okay. And this INR6 crores to INR7 crores credit note, how should I understand the impact on the P&L? Should it flow directly to the EBITDA and PAT
- Gautam Saraogi:** No. So it's our revenue line item. It's a revenue line item. So it's been added on to the revenue because of IND-AS 115 accounting standards, we can't show that as an expense upside, we have to add it on the revenue.
- Gopal Nawandhar:** Okay. So I just need to adjust it in the revenue to understand the right number.
- Gautam Saraogi:** Yes. To understand the -- yes, absolutely.
- R Mohan:** It's a top line item here.
- Gopal Nawandhar:** So -- and this adjustment happens every year on the fourth quarter?
- Gautam Saraogi:** The quantum varies, but usually -- upside usually comes during the quarter 4 because they will do a reconciliation. This time, the amount has been a little larger. Usually -- the amount is usually INR2 crores to INR3 crores, and not more.

- Gopal Nawandhar:** Okay. And actually, if I adjust this, the performance obviously looks weaker than what it is being reported?
- Gautam Saraogi:** Sir, maybe for the quarter, but this INR6 crores, INR7 crores, I believe would have -- we would not debited. This would have got added to the revenue of Q3 or Q2. So on a year through basis, it does not impact, but in particular, for Q4, INR6 crores to INR7 crores is the -- INR6 crores to INR7 crores higher than the actual. **(The actual figure is Rs. 9 crores. Erroneously spoken as Rs. 6-7 crores on the Earnings Call.)**
- Gopal Nawandhar:** Okay. Okay. And the second question is on this write-off which you have taken, why we were so late in terms of making these writeoffs and provisions?
- Gautam Saraogi:** So see, we -- the company which was under bankruptcy was Future Retail. We never worked with Future Retail. We worked with Future Lifestyle. Now Future Lifestyle was not under insolvency or bankruptcy. But we were not receiving payments for a few quarters. So we did a little bit of research and many retailers who are supplying to Future Lifestyle had taken the respective write-offs. So in terms of keeping that in mind, then we had to take the necessary call. But how things stand today, Future Lifestyle has still not declared insolvency. It's still not a liability.
- Gopal Nawandhar:** Okay. So now there are no outstanding, right?
- Gautam Saraogi:** Nothing. It's absolutely -- with Future -- see, with Future Retail, there was nothing to begin with. With Future Lifestyle, there is no exposure at all. It's 0 right now.
- Gopal Nawandhar:** So now there is no exposure to Future Group?
- Gautam Saraogi:** Absolutely, nothing.
- Gopal Nawandhar:** Okay. Okay. Sure. And Gautam, I think one clarification which has been long pending, on the pledges side, if you can throw some confidence in terms of time line...
- Gautam Saraogi:** So yes, -- so Gopal, we have discussed internally in a family. We are looking to -- we have made a time line internally of how we want to close the pledge. So we will be closing the pledge completely before next 31st March. It will be completely finished.
- Moderator:** Thank you. Our next question is from the line of Ankit Kedia from PhillipCapital. Please go ahead.
- Ankit Kedia:** Sir, I wanted to understand the 1% volume growth for the quarter in more detail. Can you share with us what is the decline in volumes for Reliance for the quarter?
- Gautam Saraogi:** Yes, see, I'll explain to you. So our over -- whatever the numbers I'm going to be saying are overall numbers, okay? So our overall numbers for EBO, we had an overall volume growth of 23%. We had a de-growth of -35% in LFS, a growth of 30% in online and -3% in MBO and others. So when I adjust this, I have a 1% volume growth. So last year, I had done 23.5 lakhs in volume. This year, I had done 23,79,393 pieces in volume.

**Ankit Kedia:** And sir, what is the reason for this Reliance dispatches being low? Is it from our side or their side demand being low?

**Gautam Saraogi:** No. It was not regarding demand. I think there are some purchase order issues, some purchase orders that to be released from Reliance. There are some operational issues because of which the dispatches were low. It has nothing to do with the demand.

**Ankit Kedia:** And in the month of April and May, they have come back to normalcy?

**Gautam Saraogi:** Yes, it has started coming back to normalcy.

**Ankit Kedia:** And sir, Reliance also started strengthening, which was Future Lifestyle before. Have we seen some extra business because of that with Reliance Group or we are not part of Centro now?

**Gautam Saraogi:** No. No. We're part of all the Centro now and slowly that is healing up.

**Ankit Kedia:** Sure. And sir, you have guided for 7% SSSG growth out of which you're building in around 5% mix because I'm assuming this year, price increases would be low given that the commodity prices are moving. For this 5% mix change, what will be the mix change towards fashion or noncore of leggings and patiala, what you call, that will decline or what will be the lower percentage of that is that which has to come close?

**Gautam Saraogi:** See, I'll give -- maybe I'll give you a better example. So we've had an SSSG of 17% in Q4, right? So in the 17%, 5% is driven by volume. About 6% is driven by new product launches, that is ASP and the balance 6% was because of the price hike what we have taken for this. So if you see the delta difference between the ASP. So ASP and volume together comes to 11%. And if I add the price hike, it becomes 17%. So the delta of 11% and 5% is the difference between volume and value, which I'm guiding for the future.

**Ankit Kedia:** Understood. This is very helpful. Thank you so much.

**Gautam Saraogi:** So what we have seen, Ankit, now when we're touching Q1, the price hikes, what we have taken that benefit is almost over. So now whatever SSSG we are going to be reporting in Q1 is going to be based on volume and ASP driven by new products, not by price hike. That is all -- the price hike benefit has almost tapered off.

**Ankit Kedia:** And from a new product launches perspective, can you share these new products? What was the number? And going forward, what is the pipeline because that is critical for the SSSG growth now?

**Gautam Saraogi:** See, this year, we have launched about 5 to 6 products. And next year also, we are going to be targeting to add another 5 to 7 products. See, we have many products in the pipeline. We might even add about 7 to 8, but usually, what we have done on a yearly trend, 5 to 6 products is what we do.

**Moderator:** Thank you. Mr. Ankit Kedia, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Thank you. Our next question is from the line of Mehul Desai from JM Financial. Please go ahead.

- Mehul Desai:** Sir, 1 question was one, obviously, on -- if you can give what were the LFS store additions for the quarter?
- Gautam Saraogi:** The LFS, actually, we have not seen too many -- too much increase in the LFS store additions for the quarter. I think it's about 20 to 30 stores. Mr. Mohan, can you confirm that number?
- R Mohan:** 1 minute, yes.
- Gautam Saraogi:** It's about 20 to 30 stores approximately, Mehul.
- Mehul Desai:** Okay. Sir, if you can give me the total LFS count for the...
- Gautam Saraogi:** The total LFS stores is 1,750.
- Mehul Desai:** 1,750. Okay. And second thing on -- if you can give some color on how the A&P spends were to move in this quarter?
- Gautam Saraogi:** See, the average selling price has moved...
- Mehul Desai:** A&P, sir. Advertising and promotions, I'm talking about...
- Gautam Saraogi:** A&P. Okay. A&P. Yes, see. So on -- what was -- so in the beginning of the year, mainly if you take H1 and as I told before festive, we do majority of our advertising. So in the first half, we had 4.5%. Now on an annualized basis, it's come down to 3%.
- Mehul Desai:** Okay. And sir, lastly, I think -- I just wanted to understand the trend in the subcontracting charges, I mean, why -- I mean 4Q looks quite pretty low. Is there something to read into this? Or how does that...
- Gautam Saraogi:** No, no. You should always -- so, Mehul, in our business, you should look at subcontracting and material consume together. The breakup -- in our type of business, the breakup will not give the right trend, you should look at it as 1 line.
- Mehul Desai:** Okay. Got it. And lastly for FY '24 how would you look at A&P? Yes.
- R Mohan:** Mehul, 1 minute, 37 doors is LFS stores.
- Gautam Saraogi:** We've added -- 37 doors is what we've added.
- R Mohan:** Q4.
- Mehul Desai:** And just last one, what are your A&P guidance for '24, '25?
- Gautam Saraogi:** About 3%.
- Moderator:** Our next question is from the line of Akshen Thakkar from Fidelity. Please go ahead.
- Akshen Thakkar:** Just wanted to understand, if I look at the difference between your Post IND-AS and Pre IND-AS EBITDA, the gap is about 12.4% versus 12%, which is the rental cost. So it would seem that

your rent cost has grown faster than your top line growth? And given that the base last year was low, that came as a little bit of a surprise. So could you just help us understand with how the rental costs have been this year on an aggregate and then just maybe how to think about rent going ahead?

**Gautam Saraogi:** See. So Akshen, I'll tell you Pre IND-AS number. I think that would be the right way to gauge rents. So I'll tell you Pre IND-AS based on how much rent has been paid. So in FY '20, which was pre-COVID, the total rent what we paid was about INR50.84 crores on a top line of INR394 crores, which is about 12.9%. And this year, we have paid INR90.18 crores of rent on a top line of INR665 crores, which is about 13.6%. So the rent to revenue ratio has gone up by 50 bps. It's gone up by 0.5% -- 0.6%.

**Akshen Thakkar:** And is that the kind of the issue you think we should be building out going ahead as well?

**Gautam Saraogi:** Yes, about 12.5% to -- about 13% to 13.5% is the rate to revenue ratio we should -- based on the current mix. See, as -- suppose, tomorrow if your sales is 85%, then obviously, this percentage would be higher.

**Akshen Thakkar:** Yes, sure. Okay. And then just secondly, in terms of EBITDA margin. So if you'll end up getting 10% SSSG, which is not coming from price, it's coming from volume and mix. And given where commodity prices are, how do you think about EBITDA margins for the next sort of year?

**Gautam Saraogi:** See, EBITDA margin, there will be a very small improvement option, but what happens is the rentals and the store level costs also are increasing. So I would say it is going to be -- there might be a small improvement on EBITDA on that, for the older store. Seemingly, for a store, your cost would increase at about 7% -- 6% to 7% every year, bare minimum. And if your same-store sales growth is at around 10%, the delta difference between 10% and 7% is what is the increasing for those older stores.

**Akshen Thakkar:** Sure. Okay. Got it. And the last question on the write-off that you mentioned that you took of about INR4.76 crores, that was booked in this quarter or in Q3 -- in Q4 or Q3?

**Gautam Saraogi:** No. It was booked in Q4.

**Akshen Thakkar:** In Q4. Okay.

**Gautam Saraogi:** That's why the operating margins in Q4 are looking weaker on a Y-o-Y basis.

**Akshen Thakkar:** Yes. So -- but you also had the INR6 crores benefit. So both in the sense are nonrecurring or...

**Gautam Saraogi:** Yes. So in terms of absolute PAT -- keeping percentages aside, in terms of absolute PAT, it would have been probably within the same impact or maybe we could have been a little higher. It will be approximately the same impact.

**Moderator:** Thank you. Our next question is from the line of Sabyasachi Mukerji from Bajaj Finserv AMC. Please go ahead.

- Sabyasachi Mukerji:** So my first question is a clarification on the volume numbers you have given. You said 23.5 lakhs in FY '22 and 23.79 lakhs in FY'23. This is EBO numbers or the total numbers?
- Gautam Saraogi:** No, this is overall number for the quarter -- for quarter 4.
- Sabyasachi Mukerji:** For quarter 4, okay. The full year number -- what would be the full year numbers?
- Gautam Saraogi:** Full year numbers would be 81 lakhs for FY '22 and 1.21 crores pieces for FY '23.
- Sabyasachi Mukerji:** Okay. And how does -- and how does this stack up vis-a-vis FY '20 pre-COVID volumes?
- Gautam Saraogi:** That I'm not having -- I don't have the FY '20 pre-COVID volumes. I don't have it right now.
- Sabyasachi Mukerji:** Okay. No issue. On the inventory front, you said INR230 crores is the total inventory, INR44 crores is the RM inventory. That means INR186 crores is the finished goods inventory?
- Gautam Saraogi:** FG inventory. Yes, correct.
- Sabyasachi Mukerji:** So what is the breakup on the FG between warehouse and store? Is it 50-50?
- Gautam Saraogi:** About INR99 crores would be at the warehouse -- INR99.9 crores that would be at the warehouse and about INR86.85 crores would be at the stores.
- Sabyasachi Mukerji:** Okay. Okay. Okay. INR100 crores is in warehouse and balance INR86 crores in store.
- Gautam Saraogi:** Balance in the stores.
- Sabyasachi Mukerji:** Yes. So going ahead, I think in the last quarter or so, you mentioned that the inventory that you are going to kind of rationalize to 90 days would be done in 2 to 3 quarters, but then you are now saying it will probably take a year or so by FY '24 and so...
- Gautam Saraogi:** No, no. See, actually, what has happened is we have already started to rationalize inventory. If you see what was our inventory number in September versus now what we have declared in March, there has only been a very marginal increase in our overall increase. That is why we are seeing operating cash flow to the extent of INR19.5 crores. Now why it is still showing as 4 months is because Q4 is the weakest quarter of the year for us. Currently, I'm already at a run rate of INR60 crores to INR65 crores every month. So if I take on the INR60 crores to INR65 crores delta, I'm already at about 3.5 month settlement. It is just that it is showing 4 months because Q4 is the weakest quarter in terms of sales.
- Sabyasachi Mukerji:** Okay. Okay. So by -- let's say, if not September '23, but then March '24, you will surely hit the 3-month kind of inventory days?
- Gautam Saraogi:** Yes. We are aspiring to do that. That is the target.
- Sabyasachi Mukerji:** Okay. And any guidance on FY '24 revenue or volume growth?

- Gautam Saraogi:** See, volume growth is hard to predict, but at the SSSG level, like I mentioned, we will do about 5% of volume growth. But at an overall company growth, we're looking to grow at 20% in FY '24.
- Sabyasachi Mukerji:** So 10% will come from SSSG and...
- Gautam Saraogi:** And the balance 10% would come from new stores.
- Sabyasachi Mukerji:** New stores, okay. Okay. Okay. Perfect.
- Gautam Saraogi:** We're looking to close at -- we're looking at INR800 crores revenue in FY '24.
- Moderator:** Our next question is from the line of Priyam Khimawat from ASK Investment Managers. Please go ahead.
- Priyam Khimawat:** Just on this part that future growth in terms of same-store sales will be more largely driven by value, will it be largely driven by mix improvement. So don't you think that as the fashion and noncore quotient increases in our overall sales mix, there will be some kind of impact on a full price sales through, which was around 95% in FY '23?
- Gautam Saraogi:** No, that will not get impacted. See, for us, all our product ranges are core. Even if I take legging, churidars and our balance half of the products which they address 50% of the business, everything is core. So even though if the other core products start dominating the sales, the full price ratio will not get compromised.
- Priyam Khimawat:** Okay. And revenues from LFS channel in FY '23 were around INR140 crores from 1,750 counters, which you highlighted. What is the contribution of Reliance Retail here? And how should we see growth in this channel going ahead?
- Gautam Saraogi:** See, the concentration on Reliance Retail is completely dominated because majority of the stores are Reliance, more than 80%, 85% of the LFS revenue comes from Reliance. The growth is going to be good. We are going to continue to look to grow at about 20% in LFS. We are adding about 150 stores every year. So the growth in LFS is going to continue to be very strong. We're looking to grow at 20% even in this channel.
- Priyam Khimawat:** So, Gautam, if we'll grow 20% in LFS, I'm assuming even online will be growing at that kind of pace and 10% SSSG pick up, then 120 store addition on a base of around 640 would imply 20% revenue coming in from newer stores as well. So why are we guiding for around only 20% revenue growth?
- Gautam Saraogi:** See, because what happens is those are -- network expansion is 20%. So 20% stores will not give the same averages what the balance store would give. There are...
- Priyam Khimawat:** But the stores which we opened in FY '23 would also not have been ramped up. So they will also ramp up in FY '24, correct?
- Gautam Saraogi:** That will support -- the FY '23 support will support the SSSG eventually. See what I'm trying...

- Priyam Khimawat:** Okay. So if are building SSSG, you're taking support from FY '23 stores which have not been ramped up?
- Gautam Saraogi:** No, no. SSSG is basically calculated on stores, which are greater than 15 months old. So anything which is under 15 months will be under the new store bucket.
- Priyam Khimawat:** Correct.
- Gautam Saraogi:** And anything greater than 15 months, qualified for SSSG.
- Priyam Khimawat:** Okay. Got it.
- Gautam Saraogi:** Yes, because anything below 15 months, we cannot do a same-store sales growth comparison. It's too early.
- Priyam Khimawat:** Got it. Got it. And are we sticking to the 120 to 130 stores in guidance because we did around 125 in this year. Do you think that there will be some improvement here?
- Gautam Saraogi:** See, our idea will be definitely to improve and open more than 130. But from a guidance perspective, we are still sticking to 120 to 130 stores. We are adding continuous -- we are continuing to add people in our DCG. So we will try our best and endeavor is to cross more than 130. But for sure shot, we will be achieving between 120 and 130.
- Moderator:** Thank you. Our last question for today comes from the line of Ashna Sheth from Saral Management. Please go ahead.
- Ashna Sheth:** I just wonder what are your same cluster sales growth volume for the quarter and full year?
- Gautam Saraogi:** Yes. So for the same cluster sales growth for the volume for the -- on a volume basis for the quarter is 18% and for the year is 49%.
- Moderator:** Thank you. That was the last question of a question-and-answer session. I would now like to hand the conference over to the management for closing comments.
- Gautam Saraogi:** Thank you, everyone, for joining us. I hope we've been able to answer all your queries. We look forward to such interactions in the future. We hope to live up to the expectations of you all in the future. In case of any -- you require any further details, you may contact Mr. Deven Dhruva from SGA, our Investor Relations partner.
- Moderator:** Thank you. On behalf of GoFashion India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.