

**Date: 18.08.2022**

Corporate Relations Department <b>BSE Limited</b> 1st Floor, New Trading Ring Rotunda Building, P J Tower Dalal Street, Fort, Mumbai 400 001	Corporate Listing Department <b>National Stock Exchange of India Ltd</b> Exchange Plaza, 5th Floor Plot No.C-1, G Block Bandra-Kurla Complex Bandra (East), Mumbai 400 051
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Dear Sir/Madam,

**Sub: Transcript of Investors Earnings/ Conference call for Q1 ended June 30<sup>th</sup>, 2022.**

**Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

**Scrip Code:** BSE Code: 541700, NSE Code: TCNSBRANDS

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and in pursuance of intimation by the Company dated 05<sup>th</sup> August 2022, in respect of the Investors earnings/ conference call on Friday 12<sup>th</sup> August 2022 at 06:00 P.M. IST to discuss the performance for the Q1 ended 30<sup>th</sup> June 2022.

In reference to the above captioned subject, please find herewith, enclosed the transcript of the Investors earnings/ conference call. The same is being disseminated on the website of the Company. <https://wforwoman.com/content/investor-relation>.

No unpublished price sensitive information ("UPSI") was shared/ discussed during the interaction and the discussion held on the publicly available documents only.

This is for your information and records.

Thanking you  
For and on behalf of **TCNS Clothing Co. Limited**

Piyush Asija  
Company Secretary and Compliance Officer  
M. No: A21328

Date: 18.08.2022  
Place: New Delhi



**TCNS Clothing Co. Limited**

119 & 127, W-HOUSE, NEELGAGAN TOWER, MANDI ROAD, SULTANPUR, MEHRAULI, NEW DELHI-110030, INDIA  
PH: 011-42193193, Fax: 011-42193194, E-mail: corporatecommunications@tcnsclothing.com, www.wforwoman.com, www.shopforaurelia.com  
REGD. OFFICE: 119, W-HOUSE, NEELGAGAN TOWER, MANDI ROAD, SULTANPUR, MEHRAULI, NEW DELHI- 110030  
CIN- L99999DL1997PLC090978



# “TCNS Clothing Company Limited Q1 FY2023 Earnings Conference Call”

August 12, 2022

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**MANAGEMENT: MR. ANANT DAGA – MANAGING DIRECTOR - TCNS  
CLOTHING COMPANY LIMITED  
MR. AMIT CHAND – CHIEF FINANCIAL OFFICER - TCNS  
CLOTHING COMPANY LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the TCNS Clothing Company Limited Q1 FY2023 Earnings Conference Call.

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 the 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, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anant Daga - Managing Director – TCNS Clothing Company Limited. Thank you and over to you Mr. Daga!

**Anant Daga:** Thank you. Good evening and welcome to Q1 FY2023 Earnings Conference Call, to discuss operational and financial performance for the quarter. I am joined by Amit - our CFO and SGA our Investor Relations Advisors.

While Amit can share detailed financials, let me share some key highlights for Q1, our perspective on the emerging situation and progress on key focus areas for FY2023.

Starting with our outlook on the emerging market situation over the last few months it has been really encouraging to see multiple categories getting back to normalcy as consumers are indulging in fashion once again.

We believe, with the onset of festive season and reopening of offices, the ethnic women’s fashion segment should also come back to full normalcy soon. Given that over the last two years there has been multiple restrictions around festivities and gatherings and hence a lower indexing of ethnic wear, we now see the consumer pressing refresh button this festive season for their wardrobes. This festive season should set the ball rolling for women’s ethnic wear segment.

As you are aware, even as a business, our focus during the COVID period has been on balance sheet conservation. We are very happy to share that now after a gap of two and a half years we are leveraging this balance sheet strength and taking an aggressive bet on the market. We are back to doing what we do best, launch comprehensive fashion forward ranges. At this time we have had one of the earliest season launches that we have done in the recent past. This will be backed by digital first marketing campaign which cuts across online and offline channels, marketing tie-up with key partners and a whole new retail identity for W in some of the top markets across the country. Given the emerging external buoyancy and our internal readiness we should see our best festive seasons coming forward.

Coming to our performance for Q1 2023, despite overall slower segment recovery our Q1 revenues grew 3x year-on-year to reach pre-COVID Q1 sales. While the overall offline sales store recovery is still lagging behind we are already seeing couple of regions tracking ahead of pre-COVID numbers and the remaining ones are gradually catching up.

We are excited to see significant sales spikes around regional festive occasions and we see this recovery further building on. In this quarter we opened 17 stores on a net basis to reach a total count of 616. In addition to these 17 stores, we have upgraded another 6 stores under project rise initiative, taking the project rise initiative store tally to 20 stores. MBO business is back on track with a strong order book in place. Online on a secondary sales basis continue to grow this quarter despite a large base in Q1 last year. Specifically the brands website scaled up faster at a rate of 35% over last year. While the recorded book sales are lower it is more of a primary and secondary sales phasing issue that we have seen in the past quarters as well.

Talking about key focus areas for FY2023 as we had highlighted in the last call our primary agenda in FY2023 is accelerating growth. Let me share an update on some of the key growth drivers. First focus area is store expansion, both upgradation and new additions. For project rise our flagship store upgradation initiative we have already opened 20 stores across strategic markets in the country. Barring couple of stores, all the remaining stores are tracking ahead of expectation and are already clocking 1.5x to 2x sales. This growth, despite overall recovery being slightly slower, obviously is encouraging for us. We are now going to double down on these initiatives further.

Now we have a project rise store closer to people who are in Mumbai. I would request you to please visit our linking road store to experience the new retail identity of W and see how our various concepts and various categories that we have incubated over last year and a half has come together.

With the success of this concept, we are now working on our new retail identity for Aurelia as well which will be unveiled shortly. With respect to new store additions, we have opened 17 stores in Q1 on a net basis and we have another 50 stores in pipeline. In Q2 we are targeting to open 25 stores on net basis plus project rise store upgradation. As of now we are firmly on track to open 100 plus new stores on a net basis and 25 project rise upgradation in FY2023.

Second focus area for us is online, with the reorientation of the marketplace towards D2C, we are now aiming to build online channel as a primary sales channel for future. In Q1 the brand website grew by 35% year-on-year, omni channel fulfillment scaled up to 10% of overall online business with addition of more marketplace partners. In line with our strategy of building online as a primary sales channel we will be creating online first products, integrating additional platforms to omni channel model, upgrade the website experience and invest in digital first campaigns. We see online as a key revenue driver and are looking at accelerated scale up especially in D2C space.

Coming to new forays, as discussed on the last call also, this is the first season which will see broader rollout of all new initiatives. While we will have more meaningful update on these by the end of festive season, let me quickly share few developments. Brand Elleven saw addition of four stores taking the total count to 21. The new stores opened with our initial set of learnings are seeing better traction and should see the scaling up in the coming season.

On footwear the category continues to build consistently both in EBO and online channel. Most of these new initiatives are constraint by existing store sizes and with the opening of new bigger stores we should see full representation of footwear and accessories. We are committed to reaching an annual run rate of Rs 100 Crores on consumer sales by the end of FY23 for the new forays cumulatively. All in all we are excited with the upcoming festive season where our multiple initiatives along with an on time comprehensive new season launch after a last few disruptive seasons will come together for the consumers.

Now I would request Amit to share key financial highlights for the quarter.

**Amit Chand:**

Thanks Anant. Good evening, everyone. Let me share the update on our financial performance for FY2023 Q1. Our Q1 revenues were Rs.276 Crores which is a growth of 195% over our FY2022 Q1 revenues of Rs.94 Crores and a growth of 18% over FY2022 Q4 revenues of Rs.234 Crores. Our gross margin for the quarter was 69.1% versus 55.8% last year in FY2022 Q1 and 68.9% in FY2022 Q4. As we have mentioned earlier, we should see the gross margin metrics in conjunction with selling and distribution expenses and other overheads as every channel has its own nuance in terms of revenue recognition, gross margin percentages and cost reflecting in selling and distribution expenses or other overheads. Accordingly, basis the channel mix these metrics could vary in a range from quarter-to-quarter.

For Q1 the company generated a positive EBITDA of Rs.38 Crores versus last year Q1 EBITDA loss of Rs.20 Crores. PBT for the quarter was Rs.2.6 Crores versus a loss of Rs.49 Crores in last year Q1. PAT for the quarter was Rs.2.4 crores versus a loss of Rs.36 Crores last year Q1.

During the quarter the company added 17 exclusive brands stores to its tally taking the store count to 616 stores. Additionally we have 2492 point of sales in LFS channel and roughly 1100 point of sales in the MBO channel.

This is the financial update from our side. We are now open to questions.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rakesh Wadhvani from Monarch Network. Please go ahead.

**Rakesh Wadhvani:**

Thanks for the opportunity. Sir I wanted to ask have we taken any price hike in this quarter because the gross margins are improved. Is it because of the only channel mix or because we have taken some price hike for the product.

- Anant Daga:** No so again as Amit was mentioning I think it should be seen in conjunction with selling and distribution expenses as well. So while we have maintain the gross margins in that range I don't think there is any significant change. Second talking about price increases, yes there has been a single digit price increases across select capsules.
- Rakesh Wadhvani:** And one more question may we talk about the omni channel and online sales. Just wanted to clarify in online as our W brand of TCNS will be selling directly to the customer or it will be like a third-party.
- Anant Daga:** No so we have these models both, so we sell through our own websites also and we have both B2B and D2C model working with all the leading market places as well.
- Rakesh Wadhvani:** So, when we are talking about online is it through our own platform our own website or is it through third parties also when you talk about online sales.
- Anant Daga:** It is both, so we have our own websites and we also sell from all the verticals and horizontal platforms.
- Rakesh Wadhvani:** Can you just give us a rough idea what is the percentage of sales we are doing from our own website because you use to mention earlier.
- Anant Daga:** So own website is about 20% to 22% kind of range and balance will be marketplaces. In market places also if you take the D2C model it will be higher than the B2B part.
- Rakesh Wadhvani:** Okay thank you I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.
- Devanshu Bansal:** Thanks for the opportunity. Anant, you mentioned that you expect best ever festive season this year. Can you also throw some more light on this in terms of same store sales recovery because obviously our best of year festive season can also be due to higher store additions versus earlier periods so just on same store sales recovery what are your expectations for this year it would be really helpful.
- Anant Daga:** So, again see we will have to see how exactly festive builds up but if I talk about any category wherein the occasion usage trigger has played out, I think most of the categories are seeing a double-digit kind of SSSG recoveries compared to FY2020. So, I guess that is the least of the expectation that one should have from SSSG come festive.
- Devanshu Bansal:** And online revenues over the last two quarters have been relatively lower much lower in fact versus what we did over the previous year so what is the reason for slower traction here number one. Secondly I guess with D2C sales with higher component of D2C sales we recognized the

entire top line so that should also sort of helped here in terms of online revenues, but our revenues have been sort of lower so can you throw some light here.

**Anant Daga:**

Two things maybe the second part Amit can answer better but let me just take the first part. So, there are two ways to look at it one is obviously on the purely secondary sales basis. So, on secondary sales basis even on the last year base, which was very, very high because of off late disruption we have been able to grow upon that. Now one big reason where you see book sales to be lower is because of the primary billing and in the past also we have said I think we should look at one half rather than a quarter because this time also lot of those primaries would happen in Q2 so I think that will probably cover a lot of gap that you are seeing right now. Q4 last year was a very different issue it was a one-time alignment so obviously that was a very different issue right now it is just about a billing issue. Have I answered your question am I clear on this part.

**Devanshu Bansal:**

Yes, but on this D2C component of online, can you throw some light maybe Amit can contribute here.

**Amit Chand:**

You are right, so the revenue recognition is different when you look at B2B part of the online revenues versus the D2C. See major component of, let me clarify how D2C is booked. So D2C is where we do be billing to the direct consumer and there is a commission that sits now in selling and distribution expenses and when it comes to own website there will be other cost elements as well, which may sit in marketing or overheads depending on what that component is so there is revenue recognition in case of D2C is a bit higher. But if you compare the share of D2C for us over the last four, five quarters it has consistently be in the range of anywhere between 50% and then it started becoming the majority share of our online revenue. So that trend is continuing. So, there is not much of a difference in the D2C share over the last I will say three, four quarters obviously the mix has changed significantly as when you compare it with , two years back or what was pre-COVID, but last four, five quarters has been fairly similar.

**Devanshu Bansal:**

And versus Q1 FY2020 your channel mix was broadly similar so, but our gross margins are about 200 basis points higher so can you sort of help us understand what led to this gross margin gains versus Q1 FY2020.

**Amit Chand:**

This is something that we have tried explaining earlier as well. So gross margin as a metric has multiple components which effect that number. So there is a channel mix and within each of the channel that we operate in, again there are different components. Like I give an example in case of EBO there could be own store versus franchise where again the revenue recognition will be very different within franchise also we have different type of format stores in certain cases we may have an outright franchise there could be a mix of franchises where we have an SOR understanding where the revenue recognition happens differently and accordingly it will change the gross margin recognition as well. Similarly, we have been mentioning this that within online, the share of D2C has gone up over the last couple of years where revenue recognition is higher than what it was in case of B2B and that essentially helps the gross margin as a metric but then cost, as I just mentioned, will probably sit below the gross margin line. So, while you are right

that when you compare with Q1 FY2020 our gross margin is higher but at the same time those costs are sitting below the line. So while you are looking at overall channel between the same within each of the channels, the flavor of own versus franchise could be different. So that is one part. This is all about channel mix. Now when you look into the second component which affects the gross margin that is the product cost and what we have been able to realize. So in the last couple of quarters, we have done work on reducing our old season merchandise which had helped us on the dormancy front as well. So if you look into the gross margin that we earned in Q3 of last financial year Q4 and even this quarter, the gross margin has also benefited from the work that we have done on the product part by reducing the dormancy hit.

**Devanshu Bansal:** And Anant I just wanted to check on there we have seen news report on our potential state sale by the PE as well as promoters while I guess you will not like to sort of speak on speculation, but I just wanted to check on two fronts here in case such an event happens will the ESOP sort of that is linked to certain price targets does that get triggered and secondly in case the PE sort of decides to exit, is there a tag along on the sort of feature that is there other promoters also have to sort of participate in that sort of selling.

**Amit Chand:** So, we obviously would not like to make a remark on our market speculative news. But I will just give clarity on the ESOP and all of it is anyway disclosed in our annual report. So, the ESOP scheme 2018-2023 is where a part of the ESOP that have been granted to the employees are linked to TA exiting at specific targets. So, if any of that event happens, whenever it happens and if those prices targets are met then the vesting condition will be fulfilled and the ESOP will get vested.

**Devanshu Bansal:** I guess I read it that even if TA sort of plans to exit on their own without reaching that sort of prices, then also that vesting gets triggered. Is that right.

**Anant Daga:** So our ESOP scheme 2018-2023 has various components to it, Devanshu, to be honest and there are something which is linked to our employee staying in the company obviously those will get granted vested irrespective of any event. There would be some part of the ESOP which are linked to performance those again will be not linked to TAs exiting but if you look into our annual report disclosure and there is a component which we called threshold one ESOP pool threshold two ESOP pool all those are linked to TA exiting at those specific prices.

**Devanshu Bansal:** And on that tag along thing can you confirm.

**Anant Daga:** I do not think there is any clause like that tag along and all. And anyway see these are simple market speculation so all these discussions slightly are hypothetical and maybe you can go through the annual report and if you have more questions, we can also really happy to answer those.

**Devanshu Bansal:** Sure Anant.



**Moderator:** Thank you. The next question is from the line of Ashish Kumar from Infinity Alternative. Please go ahead.

**Ashish Kumar:** Thanks a lot. I just wanted to understand. If I look at it the pre-COVID which is Q1 FY2020 our revenues have kind of been flat through the entire three-year window. So how do you really look at let us say over the next two to three years from a growth perspective given the fact that last three years we have basically been flat.

**Anant Daga:** See again typically as a company we do not give future guidances but I will just give you construct which we think is very much possible in the industry we operate in. Organized ethnic wear is supposed to grow at, at least mid to high teens number over next few years and the whole shift from unorganized to organized and the market being so fragmented I think people who are able to execute it well should be growing easily at a rate of 20%, 25% plus and frankly as an organization that would be an aspiration and as per your point about last three years obviously when we first spoke even on this call, in the COVID period our whole focus was on managing balance sheet and conserving cash which we have done reasonably well by the end of the COVID and our focus towards growth has just turned now on and this is the first full-fledged season that we are going to see after two and a half years. So, I think if executed well the companies can grow at least at those kind of rates.

**Ashish Kumar:** So, would it be fair to say that because we have seen some of your listed comparables kind of grow at anywhere between 30% and 100% depending on who we are talking about. But would it be fair to say that the focus will come back on growth and what we saw pre FY2020 or pre COVID where we would normally exceed the industry growth rates that is something which one can expect.

**Anant Daga:** No, so frankly I do not know which listed peers you are alluding to because if you look at women's ethnic fashion wear, I do not think we have too many listed players and most of the guys...

**Ashish Kumar:** I was more looking at the entire fashion and apparel segments rather than just the...

**Anant Daga:** Yes, there just to make things very clear there are two things one obviously the boarder market has grown pretty well and I think that gives a lot of confidence that as and when the occasion usage and the reason to buy is coming back in different categories, different categories are taking off. For us as we have said in the last call also we believe festive and opening of offices are a big triggers so we should see some traction there. Coming to.. even if you look at most of the listed retailers and if you look at the ethnic women's share I think they have lagged. so I think it is more a segmental recovery issue and obviously some of our conservative view which let us to lose probably some revenue because of better cash flow management that is now behind us so going forward you should see there.

**Ashish Kumar:** Thanks and wish you all the best going forward.

- Moderator:** Thank you. The next question is from the line of Jignesh Kamani from GMO. Please go ahead.
- Jignesh Kamani:** If you take about first quarter you have seen a very good wedding demand and everything and number of wedding days was very healthy. But somehow, we have not able to seen that traction in the wishful. Any reason why.
- Anant Daga:** No, so if you look at two things out here first is wishful is also not really wedding occasion it is a light to a medium occasion there. So in our portfolio we really do not cater to wedding demand. For us the bigger occasions are the Poojas, the Diwali and the lighter occasions having said that if you look at wishful obviously where we were I think we have come from the lower point that we hit in earlier quarter it is again coming back to historical averages. So wishful is again the share is at 6%, 7% odd which is probably in line with pre-COVID levels and better than growth which we have seen in other brands in our portfolio.
- Jignesh Kamani:** And second thing on the Elleven still we open only four store so we are still we can say yet to finalize the right store right metrics and you have not reach a kind of learning curve or have we how we are looking to it.
- Anant Daga:** No, so there are two things if you remember I think we had a chat last call also there were two things one is obviously the whole product consumer shortening and second was supply chain this is now in place and that time also we mentioned that we will be rolling it out full scale in this festive so that we are on track. Second if you remember we had opened 14 stores earlier and we got some learnings. Basis that we are opening another 15 to 16 stores so we have already opened 7 stores over last four, five months and we are opening another seven to eight stores over next two to three months the stores that we have opened about 7 or 8 in the basis first rollout learning, they are faring far better but I think next three to four months we will see when all these things are coming together and basis this experience of these 14, 15 new stores, I think as discussed earlier we will be pressing up the accelerator by December.
- Jignesh Kamani:** And the supply chain we have sorted.
- Anant Daga:** Yes, the supply chain, product and even the retail model we have become sharper it is just about these 15 stores that we are opening I think probably you should see another five, seven getting added in next two, three months, seven, eight sorry, so I think that will have the model also in place.
- Jignesh Kamani:** So now everything has been stabilized as we need to see the proof of pudding in larger seven, eight stores for two or three months.
- Anant Daga:** In fact what we have also done is we have tested waters in other channels also there also we have got encouraging response so I think even in this season despite a much bigger sale up you will already see a significant step up in the Elleven which should get further accelerated by December once we have the model more sharpened and finalized with all the components coming into place.

**Jignesh Kamani:** And on the online side you mentioned that our secondary sale is pretty healthy, but primary is because of that weak. So, by when it will normalize and second thing once everything is normalized, primary and secondary sales moving hand on hand or you will see some bump up in the primary sale because of the refilment at the online partner side.

**Anant Daga:** So see typically one secondary sale growth is what is consistently come and we think at least in our best estimate that there should be a 25%, 30% kind of growth that we should see in the year the way we are building this channel. Coming to your question on primary and secondary see it will not go hand in hand because while secondary happens throughout the year primary happens in some burst. It could be a mix between quarters so I think on a half yearly basis you will get a better picture.

**Jignesh Kamani:** Yes, so if you take out entire year so like we have two quarter of the primary sales decline so if you take out entire year you will see secondary and primary both growing on similar line.

**Anant Daga:** Yes.

**Jignesh Kamani:** Understood. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Varun Singh from IDBI Capital. Please go ahead.

**Varun Singh:** Thank you very much Sir. Two questions. First I have been looking at your channel mix. Large format stores I say that from a three year CAGR perspective. If I look at revenue CAGR from three year point of view so in large format store we have clocked 14% CAGR whereas in EBOs there is a 3% decline so can you please help us understand that why there is such a big divergence and I am asking this question in the context that this quarter has been relatively COVID free with regard to restrictions on mobility etc. and so also looking at competitions performance I understand that primary sales has not happened but and hence the first sharp number is what we allude as to look at for doing competitive benchmarking analysis etc., but still for the large format stores 14% is quite a healthy number but we do not see, I mean, we see a negative number in case of EBOs so can you help us understand this divergence this is my first question.

**Anant Daga:** Varun I am not very sure of exactly is where you are getting these number from. In fact if we look at our numbers I think EBOs spread equally well it is on the similar levels as LFS. So maybe we have to discuss these numbers offline I think probably we are reading a different set of numbers maybe we can clarify.

**Varun Singh:** And so, my number is 116 Crores revenue in current quarter from large format stores and from EBOs 122 Crores and I am comparing this number from the base of Q1 FY2020 and taking a three year CAGR the simple looking up power 1/3 calculations that I have been doing.

- Anant Daga:** So even we are referring to the same set of numbers I do not think this gap is there so maybe it is okay with you, if Amit can probably connect with you later and solve it out. I think there is some understanding issue. Thank you.
- Varun Singh:** But still you wish to give some color on large format store performance compared to EBOs performance during current quarter.
- Anant Daga:** Yes, so in fact this quarter EBO has performed better. So the recovery rate that we have seen in EBO especially with new season launch being there earlier and with all the new initiatives I think there is a positive traction in EBOs. LFS again has been a mix bag there are couple of LFS there where the business has been far higher and one or two LFS where overall the recovery is slightly lower but on our channel level basis EBOs right now
- Varun Singh:** Okay Sir understood and at brand level I see that Aurelia has performed better compared to W and Wishful so again we need to ascribe some reasoning behind this outperformance of Aurelia.
- Anant Daga:** So, this year you are comparing again with FY020.
- Varun Singh:** Yes, I am comparing on three-year CAGR basis one taking off COVID un-impacted basis.
- Anant Daga:** Yes, I think Aurelia and Wishful both has grown and Aurelia has benefited more from expansion compared to W.
- Varun Singh:** And on gross margin I think we have reported based on whatever data I have best ever gross margin. So do we expect this level of gross margin to be maintained given our channel mix in FY2023 and also in FY2024 if possible if you can give some directional sense.
- Anant Daga:** See this is slightly difficult to predict because even within channel the model change can really impact gross margins so see suppose if in Q2 the B2B of online is higher that will impact. But I think what we believe on pre-Ind AS basis average gross margins that we had would be in the similar range. So, quarter-on-quarter there will be changes and this is very difficult to explain.
- Varun Singh:** But quarter-on-quarter it is understandable so as you highlighted earlier that we should be looking half yearly number, or an annual number so far is it from annual perspective.
- Anant Daga:** On annual basis this will be closer to our historical numbers on gross margin side apart from the channel which we have.
- Varun Singh:** Okay sir understood that is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Ankit Kedia from PhillipCapital. Please go ahead.

**Ankit Kedia:** Sir, couple of questions from my side. One of the large LFS players Central actually closed down their stores in quarter one. What was the impact for us from that because some of the other brands did call out some percentage points declining LFS because of that.

**Anant Daga:** Yes, so we had a significant business with both central and brand factory. So we were present in both the channels and I think the impact on top line would be at least in around mid single digit number.

**Ankit Kedia:** And if you look at revenue per EBO in Q1 this quarter and again pre-COVID now we are still down 6%, 7% plus we would have taken some price hikes over three years. So is it fair to assume that the volumes while I know you do not comment on volumes but or if not volume, the footfalls at the store level are still down 20% compared to pre-COVID or at least the foot falls are coming back and conversion is the issue today.

**Anant Daga:** No so right now see I do not think conversion is a big issue right now it is the footfalls. Again, if you just collaborate this data with any of the listed retail players and when I say listed retail players because unfortunately, we do not have women's ethnic fashion focused listed entity. If you look at all those places I think it is about not about conversion it is more about consumers coming and consuming ethnic because of lack of occasion usage right now. So, it is more an issue of indulgence with this category rather than conversion.

**Ankit Kedia:** But if I look at pre-COVID, the numbers of occasions in Q1 FY2020 to Q1 FY2023 would not be any different right. So, is it to do with the pricing where the customers feel expensive products or are just feeling scared and preserving money. Is it something more to do with that.

**Anant Daga:** No so there are two occasions. One was obviously festive and second was reopening of offices and workwear and so I think both has an impact on this, frankly it is very difficult to pinpoint and exactly attribute reasons to this but our sense, especially after talking to all our peers, all our channel partners this is what it is.

**Ankit Kedia:** So, I am just trying to find out what gives the confidence that the customers will come out for shopping in quarter three or quarter two.

**Anant Daga:** Yes, so very interestingly if you look at it, if you look at last one year two things one even in our business if you look at April. April we were already touching close to pre-COVID levels in fact ahead because of Eid and other festivities. Similar thing is happening in these last two weeks where Raksha Bandhan and all these thing are there. So in festive we are seeing the spike so that is one thing which gives tremendous confidence second. If you look at categories even something like which were not so men's formal also I think what our understanding of the market is even their started to pickup once the offices are open. So we still believe that there is a big occasion usage trigger which has to come now even when we talk to large format and this you would know better than me because you would be dealing with all the retailers and seeing their numbers, I think while the women's ethnic share has come down the overall women's wear pie also come down which is very counter intuitive so this gives us confidence that once the festivity

set in there will be a wardrobe shift to ethnic and as we have seen other categories coming to shift this should come.

**Ankit Kedia:** Do you think women are wearing more western wear at present today more compared to ethnic and that is also having a impact on the ethnic piece all together from the womens wallet share perspective.

**Anant Daga:** See I think when we speak to all our channel partners who are selling both western and ethnic so while they are seeing a delta differential growth between the two channels very clearly, I think for most of the people while western wear has increased overall women's wear share has come down. So, suppose just to give an idea that if suppose the shift was 50/50 and the total women's wear market was 20 the market itself has come down 18 and then probably western wear has become a 55% share so that is something which we have seen. But I think that still does not explain while the overall women's wear share has come down, so it is not like everyone moving to western but probably again consumption of ethnic is not happening right now.

**Ankit Kedia:** And in the month of April when the numbers was slightly ahead of pre-COVID was the footfall number also equal to pre-COVID or even then the footfall was slightly lower.

**Anant Daga:** Actually, at a company level we have not been tracking footfalls on historical basis so on this any answer I would give you will be very, very judgmental. So, I do not have that data point but if you look at even our counter parties like LFS and all, I think the footfalls also increased for ethnic and conversions anywhere I do not think conversions have come down in the past.

**Ankit Kedia:** That is helpful thank you so much.

**Moderator:** Thank you. The next question is from the line of Rakesh Wadhvani from Monarch Network Capital. Please go ahead.

**Rakesh Wadhvani:** Hi! Sir, thanks for the opportunity once again. Just wanted to know when do you expect you will be reaching the per store revenue visit to the pre-COVID level because I alluded to the previous participant like we have a lesser revenue pre-COVID per store. So, when do you think it will be achieve to the pre-COVID and what will be the assessing you expect once we reach there.

**Anant Daga:** See this is something which I just explained so two things even today when we speak two regions have already ahead of pre-COVID levels. So even in our network we have partners, we have channels and we have regions which are tracking ahead of pre-COVID, so I think it is about two big regions, especially for us, to come back to those levels. See my guess is with festive we should see a big upswing. Now how much that would translate to in terms of same stores sales growth is something that we will see looking at other categories I think it should at least be a double-digit number.

**Rakesh Wadhvani:** Okay that is it. Thank you so much.

**Moderator:** Thank you. The next question is a follow up questions from Jignesh Kamani from GMO. Please go ahead.

**Jignesh Kamani:** I just want to know about the inventory level currently and how it is compared to YoY and compared to 1Q FY2020.

**Anant Daga:** So again, in the COVID period, we really optimized inventory and we bought less and that is what I was saying that even in FY2022 the season that we gone back, I think we would have a more conservative approach. Now we have started investing and we have also forwarded our inventory buys by a month or two so that we are able to launch the season on time so obviously inventory levels has been built up.

**Jignesh Kamani:** So, it is significantly higher to prepare for the upcoming festival season or it is just marginally higher.

**Anant Daga:** No, of course what the kind of revenues we are targeting and monsoon-festive are higher than the earlier numbers. So obviously there is a equivalent pickup on the inventory built up also.

**Jignesh Kamani:** The chance of the we losing out on the revenue opportunity in not significant right now?

**Anant Daga:** So, this is something which we face last season wherein we took a more conservative view this season both in terms of timing and comprehensive product range I think we are well covered.

**Jignesh Kamani:** And second thing on the, so, earlier we used to not very active on the EOSS or we used to reduce number of EOSS base how is the scenario currently.

**Anant Daga:** So, see I think we have always tried to optimize on discounts compared to market so even this time if you look at it generally the discount levels are slightly lower than what we have seen in the past years. So, there would be some savings but we have not gone super conservative on this but still if you compare with earlier seasons it will still be lower.

**Jignesh Kamani:** So, we have not loss market share because of that right because of our lower discounting policy compared to competitor.

**Anant Daga:** No, that has happened sometime in the past but this time that is not the reason.

**Jignesh Kamani:** Okay thanks a lot.

**Moderator:** Thank you. The next question is a follow up questions from Deepak Mehta, individual investor. Please go ahead.

**Deepak Mehta:** Good evening, Sir and thanks for the opportunity. Great set of numbers. My question is around the advertising. So, I have never seen the advertise our brand in TV or social media so what is ,for brand awareness what is our strategy so we can gain market share.

**Anant Daga:** See for the first time we are coming up with digital first campaigns and we will be using digital media as the key channel for new season launches apart from that we have also done significant tie-ups with leading channel partners again after a long, long time so you will see us very prominent in many, many point of sales. As a company we have a huge advantage in terms of our EBO presence and we have some really landmark locations across airports and main high streets. So that also we use very, very effectively for communicating to customers. Project rise is also a great marketing tool for us. So overall we will be upping the marketing spends we will be using both traditional and new age mediums and you will see multiple product campaigns coming out this year.

**Deepak Mehta:** And if I can chip in one more question. So, my question would be so you have already mentioned that most of our products are target for festival not for high end marriage or you can say other family events so are we planning to enter in that market like marriage or this...

**Anant Daga:** No, as of now there is no such plans obviously there will be some upgradation which will happen in Wishful. But as of now there is no plan to get into the wedding wear kind of market.

**Deepak Mehta:** Thank you so much Sir best wishes for the coming quarters.

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

**Devanshu Bansal:** Thanks for the follow up opportunity. Just wanted to check on your commentary related to two regions sort of being higher and the other two sort of being relatively lower this is for Q1, or this is for Q2 so far.

**Anant Daga:** No, this has been since beginning of Q1 and this continues. So, two regions have been more or less consistently ahead of pre-COVID numbers we started seeing this happening April, May it continues now also but the good thing is other two regions we are seeing catching up happening.

**Devanshu Bansal:** I wanted to check so significant portion of your festive sales would also sort of happen in Q2 because of B2B sort of portion of our revenues. So still does that generally your commentary related to double digit expectations.

**Anant Daga:** No sorry I did not get your question.

**Devanshu Bansal:** I am saying a significant part of your sales comes through B2B channels and those channels would be sort of making the festive purchases in Q2 itself and since largely if you see on a console level across four regions it would largely be flattish as two regions are doing well and two are not doing well as of now but you are sort of indicating that festive would be like double digit higher than pre-COVID so I just wanted to check am I sort of looking at it differently or...

**Anant Daga:** No, I will just clear the confusion see first of all almost 70%, 75% of our business is not B2B it is D2C so whether it is LFS whether it is own stores D2C market places they all are like secondary



sales basis. So that is, the bulk of our sales that is number one. Number two when we talk about festive it is not like Q2 so it is for Pooja will start from mid September Pooja sales and then it goes still October end till Diwali so it will cut across two quarters and third to the point about the like to like sales is what I was saying is what we have seen in other category and with this figure coming in, even ethnic should see that. So, these are the three things that we said.

**Devanshu Bansal:** Okay got it and secondly your employee expenses were also sort of higher in Q1 versus last many quarters so what was the reason for that.

**Anant Daga:** No if you look at sequential level apart from increments and some new people joining, I think sequentially if you look at it, should not look too much. Obviously last year and all we had some salary cuts and COVID linked reductions so which are now over.

**Devanshu Bansal:** Okay got it.

**Moderator:** Thank you. The next question is from the line of Shivaji Mehta individual investor. Please go ahead.

**Shivaji Mehta:** Hi thank you for the opportunity. Sir with the cotton prices seeing a steep fall from almost Rs.100000 can we go about Rs.65000 a candy will we be cutting prices in line with this fall or do you retain some part of this.

**Anant Daga:** No, see first of all if you look at our product ranges, we use multiple fabrics and lot of time season on season we also try to play the mix. So overall price impact on our line are also not to that great extent compared to brand or a category where 100% cottons are used. Right now we have taken a single digit kind of price increase but if you know fabric prices come down then obviously we can relook at the prices.

**Shivaji Mehta:** Sure, Sir that is all from my side thank you.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Anant Daga for closing comments.

**Anant Daga:** Thank you everyone. We take this opportunity to thank you for joining the call. We hope we have been able to answer all your queries for any further information please do get in touch with us or SGA. Have a nice evening, great weekend, take care and stay safe. Thank you.

**Moderator:** Thank you. On behalf of TCNS Clothing Company Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.