metro BRANDS

Date: August 10, 2026

The Manager	**The Manager**
Listing Department	**Listing Department**
BSE Limited,	**National Stock Exchange of India Limited,**
Phiroze Jeejeebhoy Towers,	“Exchange Plaza”, 5th Floor, Plot No. C/1,
Dalal Street, Mumbai – 400001	G Block, Bandra – Kurla Complex, Bandra
Maharashtra, India	Mumbai-400051, Maharashtra, India
Scrip code: 543426	**Symbol: METROBRAND**

Subject: **Transcript of the Investor Call on Unaudited Financial Results (Consolidated and Standalone) for the quarter ended June 30, 2026.**

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

Dear Sir/Madam,

In continuation of our letters dated July 28, 2026, and August 05, 2026, and pursuant to Regulation 30(6) of the Listing Regulations, please find enclosed the transcript of the earnings conference call for the quarter ended June 30, 2026, conducted after the meeting of Board of Directors held on August 04, 2026, for your information and records.

The above information is also available on the website of the Company at https://metrobrands.com.

Yours faithfully,

For Metro Brands Limited,

DEEPA SOOD Digitally signed by DEEPA SOOD Date: 2026.08.10 12:21:11 +05'30'

Deepa Sood
Chief Legal Officer, Company Secretary & Compliance Officer
Membership No: 16019

Encl.: As above

"Metro Brands Limited
Q1 FY '27 Earnings Conference Call"
August 05, 2026

MANAGEMENT:	**MR. RAFIQUE MALIK – CHAIRMAN – METRO BRANDS LIMITED** **MRS. FARAH MALIK BHANJI – MANAGING DIRECTOR – METRO BRANDS LIMITED** **MR. NISSAN JOSEPH – CHIEF EXECUTIVE OFFICER – METRO BRANDS LIMITED** **MR. KAUSHAL PAREKH – CHIEF FINANCIAL OFFICER – METRO BRANDS LIMITED** **MR. MOHIT DHANJAL – CHIEF OPERATING OFFICER – METRO BRANDS LIMITED** **MS. ALISHA RAFIQUE MALIK – PRESIDENT, SPORTS DIVISION, E-COMMERCE AND CRM – METRO BRANDS LIMITED**
MODERATOR:	**MR. ADITYA BANSAL – MOTILAL OSWAL FINANCIAL SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Metro Brands Q1 FY '27 Earnings Conference Call hosted by Motilal Oswal Financial Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Aditya Bansal from Motilal Oswal Financial Securities. Thank you, and over to you, sir.

Aditya Bansal: Thanks, Alaric. Good afternoon, everyone. On behalf of Motilal Oswal, I welcome you to the 1Q FY '27 earnings call of Metro Brands. Joining us today from the management, we have Mr. Rafique Malik, Chairman; Ms. Farah Malik Bhanji, Managing Director; Mr. Nissan Joseph, CEO; Mr. Kaushal Parekh, CFO; Mr. Mohit Dhanjal, COO; and Ms. Alisha Rafique Malik, President- Sports Division, E-commerce and CRM.

Without further delay, let me now hand over the call to the management for their opening remarks. Over to you, Nissan.

Nissan Joseph: Thank you, Aditya. Good afternoon, everyone, and thank you for joining our earnings call. In Q1 FY '27, we posted a 14% growth in our stand-alone business, along with a 9% growth in EBITDA, leading to a 13% PAT. As a recap of our sales performance through the quarter, April and May were soft due to the overhang of the U.S.-Iran conflict and also a shift in marriage dates linked to the Adhik Maas. However, we were very pleased to see June recover extremely well for us to post a mid-teen double-digit gain for the quarter.

Through the quarter, we saw very good sales performance come from Clarks and also from the marketing campaigns that we launched in Metro and Mochi. We continue to see consistent growth from our multiple e-com channels. While the total growth was only 9%, to give you some color, I would like to break it out by our 3 pillars of our digital business. Our D2C website grew at almost 60% compared to last year. Our marketplace omni business also grew by 60%.

It was the SOR 3P business that pulled down the numbers to a 9% growth. This was due to a certain degree of lumpiness of sales that comes from these kind of seasonal orders, but also a conscious decision on our part to reduce lower price points and our discounts on the 3P business. For the year, we are confident that our D2C business and our omni business continuing to produce double-digit gains for the year. In the area of new stores, we opened 13 new stores and closed 4 stores for a net of 9 stores. While I know this is a much lower number than most other quarters, it is in no way reflective of our goal of continuing our growth.

Sometimes market economics change how stores open from quarter-to-quarter, but we remain committed to continuing the growth that you've seen from us over the last few years. A few points to highlight before I hand it over to questions. The health of our business is indicated in a few areas. One is our gross margins, which continue to match our highest gross margin for the past 5 quarters, coming in at almost 60%. This was largely due to the quick action of the team to mitigate any input costs while also controlling inventory.

Secondly, our revenue per square foot has stayed consistent year-on-year despite opening many new stores, which, as you know, do not have the same productivity as our mature stores. And last but not least, EBITDA margins continue to remain at 30%, which is what we've always guided to.

Our PAT margins were impacted by 4 items: our increase in investment in brand-building marketing; a modest increase in occupancy costs, primarily driven by new format additions and the number of new stores we opened; lower treasury income against a high-performing number last year; and last, but most importantly, our investment in talent and tech in the organization as we continue to invest for the future.

Also as an update, our new distribution center of roughly 250,000 square feet, which launched in March, is now fully operational with all integrations complete. As a wrap-up to the opening remarks, I'm extremely pleased to see us drive business without compromising gross margins or productivity per square foot. Our gross margins and EBITDA continue to remain healthy, and we continue to guide to a 15% PAT for the full year. With that, I'd like to turn it back to the operator for questions.

Moderator: Thank you. The first question comes from the line of Videesha Sheth with AMBIT Capital. Please go ahead.

Videesha Sheth: My first question was when we look at the numbers of consumer companies which have reported recently, the growth has largely held up without any material impact from macros, or even where wedding slowness is on the higher side, growth has not been as impacted. So can you elaborate a little on the muted growth seen in the months of April and May? And just as a follow-up to this or as an extension to this, was there a material divergence in the growth seen in April and May versus June?

Nissan Joseph: Yes, we definitely saw a shift in business, Videesha, between April and May. If you compare it to last year, there was significantly lower wedding dates. In fact, if I recall correctly, the number was 0 in April and May, and it rebounded in June. So, we did see that shift come through. And, I think there was a distraction.

I wouldn't call it an impact to business, but there was a distraction in consumer sentiment as the war prolonged through April and May, which I think a lot of people did not anticipate that to happen. But overall, we did see a little damp in April and May. But however, June came back rebounding very well. And just to give you some more color on June, last year in June, we had significant monsoons throughout the country, which, as you know, helped our Crocs business tremendously. We did not have that this year.

So, our Crocs business, while it didn't do as well, pre-monsoon, the rest of the business came back strongly enough to offset that to come in within our normal range of right at about 15% in net growth. So, there were some shifts. The good news is as the monsoons have come on, the Crocs business has performed to plan. So, it's not like there was anything wrong with Crocs. It's doing well, but it was just a shift from quarter-to-quarter.

Videesha Sheth: Sure. So, growth going forward, you expect the momentum that you've seen in June to hold up for the remaining quarters?

Nissan Joseph: Yes, just -- of course, we guide to 15% for the year, give or take, a couple of points left or right of that. Late in Q2, we're probably going to see a little bit of shift happening into Q3 because Diwali is coming later this year. And Diwali shopping season begins a few weeks before, which previously has spilled into Q2 of last year. This year it's going to not be there in Q2. But we're more than confident we'll make up for it when we get to Q3 and go forward. We don't expect to see a damp in Q2 by any means, but that would impact some of our growth.

Videesha Sheth: Right. So just a continuation to this, you also mentioned that market conditions are improving and you're seeing even the consumer sentiment improve further. So, if you could help us with certain -- with any indicators or trends that's giving you this confidence?

Nissan Joseph: Yes. We operate in multiple price points, right? We operate in multiple price points in multiple geographies in India and also catering to multitude of customers that want footwear for different shopping needs. And we see them coming back with demand for the right reason, for the right occasion across the price points and across geographies. So, we're not seeing it being driven by metro cities or just Tier 3 cities.

We're seeing it being driven across the board. We're not seeing it just come in 1 or 2 of our banners. We're seeing it across our banners. Of course, the wedding season goods did peak in June, like we anticipated it to. So, where demand should come, it is coming.

Where demand didn't come, we knew why it wouldn't come, for example I gave you monsoons, right? But when monsoons did come, we saw demand come right back for that product. So we're seeing demand in line with what we expect consumers to behave.

Videesha Sheth: Got it. And just last one question. This is pertaining to the e-commerce business. If you could maybe just help double-click on this SOR comment that you mentioned that that kind of dragged down the overall growth for this channel? And should we look at this low single-digit -- sorry, high single-digit or low double-digit kind of momentum for the next few quarters for the e-com space?

Nissan Joseph: So, what happens with the SOR business is you ship products and then what doesn't sell is returned and is swapped out for new product, right? So that happens at a certain frequency, but not a regular frequency, right? It just depends on how things sold, how things can sell. So, what could happen -- as an example here is maybe this was the quarter that, let's say, in Q1, we shipped out products. And in Q2, we received back the products, but we didn't ship out any additional products that would dampen it.

Our SOR business did grow, but it didn't grow at the same rate as the rest of them, as you can tell, right? We don't anticipate that to be significant going forward. We anticipate our e-com business to grow well into the double digits on an ongoing basis.

Videesha Sheth: Noted. Sorry, just one more follow-up on this, if I may. You also talked about this conscious effort on reducing discounting. So that is a strategic call that you all have taken, which would sustain even going forward, right?

Nissan Joseph: We want to continue to lower our discounts on e-com. We're not going to do it at the risk of losing new customers that e-com is able to bring into our fold. So, it's something we're going to have to manage, but it wasn't the reason that the SOR business underperformed singularly. That was a small part of the reason, but I thought to share that color with you.

Moderator: The next question comes from the line of Sameer Gupta with IIFL Capital.

Sameer Gupta: Firstly, sir, how should one look at margins for this year? 1Q has seen a contraction. This is largely due to higher employee and other expenses. And we have always maintained that a large part of these are variable in nature. Secondly, by the look of things, it is likely to be an inflationary year by all means and major cost pressures, at least on the RM side are yet to hit the P&L.

So would you say that while we are maintaining a 30% plus kind of a margin guidance, but it might be a little lower, there is a chance this year. There are developments that are playing out that way?

Kaushal Parekh: So, Sameer, broadly, we have guided gross margins in that range of around 55% to 57%. We are above that. We should maintain -- we are confident of maintaining that range, EBITDA in that 30-ish range. Our PAT has come around 13%. We have guided for somewhere close to 13% to 15%. We feel confident that by the end of the year, we should be around that range.

Sameer Gupta: Got it. Okay. Second question is on -- related to margins. Minimum wage hikes in certain states, one, is it a relevant impact given the scale and given the kind of employees we employ? And two, is the full impact, if there are any, is it there in 1Q or we are likely to see that from 2Q onwards?

Kaushal Parekh: So obviously, wherever, Sameer, there are change in minimum wages that is -- that gets implemented as soon as the notification is out. Over a period of time, if we see increase in minimum wages, which we are hearing, it may happen in a few states. Obviously, we'll have to adhere to it. Good thing is at this point in time, the salary that we pay to our front end is about -- is generally above the minimum wages prevailing in those states. So, we have some cushion.

But over a period of time, obviously, we would want to make sure that our compensation is right there in the top-notch retailers bracket, so that we'll try to continue. But as and when the changes happen, the impact would come in.

Sameer Gupta: Got it. Last question, if I can squeeze in, on FILA. So, there was an expectation for EBO additions in this format by the end of FY '26, but we are not seeing that. So, would you say, given wherever the BIS-related developments are and assuming that they remain where they are, is FY '27 still going to be a work in progress for FILA? Or do you see something changing here?

Nissan Joseph: So, we have opened 3 new EBOs already, brand-new EBOs, and we closed one of the old ones that we had. If you recall, Sameer, we had 2 that were ongoing from the acquisition that we did. We closed one of them, but we opened 3 new FILA stores. The stores are doing well. We'd like to get them stable even more.

And as you know, these things take a little bit of time to incubate. Are we a little bit behind schedule? Yes. Are we on track to get back on schedule? Well, we're on track to get back on a growth path with FILA in the near future.

It's still work in progress. It's not an easy thing to revive a brand that has been on discount for almost 18 months to 24 months. But the 3 stores we've opened, they've also been opened geographically spread, so we can read how they do in different markets, and we're pleased to see the results come through those stores.

Sameer Gupta: Any time line for this pilot and strategy going forward, like second half of FY '27 should see meaningful acceleration here? Anything on that?

Nissan Joseph: A good pilot should -- you want to go through the season in a good pilot to ensure that you've seen it all. But I would say towards the end of FY '27, you should start seeing an acceleration.

Moderator: The next question comes from the line of Rahul Agarwal with IKIGAI Asset.

Rahul Agarwal: Sir, just a question on new store openings, right? On a broader level, of course, you commented that it's just a blip, more quarterly variation, maybe some cool off from the very large 4Q we saw, but whatever color on the pipeline and confidence you could give on how do you look at the full year in terms of new store openings that will help. And a question to that was on the MetroActiv and Walkway, if you just comment specifically on these two in terms of how does the new pipeline look like?

Nissan Joseph: Thank you, Rahul. That's 3 questions, right? We've got to take from you. The first question on the number of new stores opened, you're right, it's just a little bit of a blip. But I think the reality in India is that demand far outstrips supply, right?

As people want to expand stores and expand into markets, that's the reality we face. Given that reality, we're always going to be -- have a lot of discipline in the types of stores we open from a financial perspective. We don't want to open stores for the sake of opening stores. We'd rather not open stores and open profit-losing stores. So that's number one.

And sometimes those opportunities come in an ebb and tide, so to speak. And when the tide comes in, as you can tell in the previous year, there were quarters that we opened quite a few stores in the quarters, we didn't open as many stores, right? I think you'll see that pattern continue. As far as the rest of the year goes, I don't see any reason why we shouldn't be able to get to the usual triple digit of store openings. That's not the issue.

The issue is we want to make sure we're opening the right stores. MetroActiv, to take that question on, we've opened 3 stores. A couple of them have done well. One of them hasn't. We know why, which is the good news.

The bad news is it didn't do well. It's also been impacted a little bit by the BIS issues that we faced at Foot Locker. However, those issues are being mitigated slowly. I think you will start seeing us also test a different type of expansion strategy with MetroActiv before you see that come to life fully, right? So that's what's happening on that.

Our Walkway stores, we opened -- we had a base of roughly about 70 stores, and we opened over 30 stores. So there was a 50% growth rate. A lot of those stores are doing good. Some of them aren't. Again, like I said, the bad news is some of them aren't doing good, but the good news is we know why it's not doing good.

And as you grow format, and you'll see that even with our FILA business, you open stores, you learn, you reiterate, you open stores, you learn, you iterate. There's no one-size-fits-all model, seldom that works across the country, especially when you're in an embryonic stage like us. So we continue to believe in the potential for the Walkway brand in India, given that it caters to a lower base in the pyramid. And it's just a matter of consistently working at that. So we remain committed to Walkway being a growth driver for us.

Rahul Agarwal: And on MetroActiv?

Nissan Joseph: I did mention MetroActiv, that's what we opened 3 stores. A couple of them have done well. One hasn't. And we also got impacted a little by the BIS.

Moderator: The next question comes from the line of Umang Mehta with Kotak Securities.

Umang Mehta: Sir, first question was on the quarter, the deconstruction that you did. It would imply that June grew more than 20% is my assumption. Has that kind of momentum sustained in July? Any color you can share on the same?

Nissan Joseph: Yes, Umang, we don't give forward-looking statements. Let me just leave it at this. We feel reassured by seeing the demand trends out there across the multiple geographies that we operate in, the multiple banners that we operate in. The consumer is responding correctly. So when we run promotional campaigns in our Metro Mochi stores that we think should resonate with a certain customer cohort, it does. When it rains, the Crocs business goes crazy. All the behaviors that we see in a successful year are there for us, and that's the best I could tell you.

Umang Mehta: Sure. Sir, a related question was, if I see the full year, right, in terms of wedding dates, this year is materially lower than last -- in terms of calendar year. Do you think this could be a headwind from a full year growth perspective? Or do you think that people would still want to -- I mean, dates are lower, but they still want to get it done and it won't be a headwind by the year-end?

Nissan Joseph: I think there's a couple of factors that go behind the wedding dates. One of them is the dispersion of wedding dates inside a month, right? So, the more dispersed they are, the more weddings there are because people can have more weddings, they can get to more weddings. The more clustered they are, things tend to book up quite a bit. When I looked at it last, I did not see a concern for this year of a significant nature.

But what I did see was the shift in Diwali coming up. Again, these are things we have to plan for, right? So, I don't see that being as a major driver like it was specifically last year through, I believe, Q2, it was a significant hit because it was a vastly different numbers of wedding dates the previous year versus that year. But we don't see that for this coming year, Umang.

Umang Mehta: Got it, sir. And just one last one on BIS. So, if we look at footwear imports into India and in terms of approved BIS licenses, footwear imports were declining for last 3 years. Suddenly, this year, we started to see growth coming. And even in terms of approved licenses, we've seen an improvement over the last 1 year. Are you hearing anything from your suppliers that maybe this is kind of coming to a close now in terms of the disruption?

Nissan Joseph: I think there are new developments every so often with the BIS process. So, you're right, there are factories being approved. But we've also seen that they've been slow, if not sort of stopped to certain renewals with no visibility of when they'll continue renewing those licenses again. That puts a lot of operations in a little bit of a tizzy as to how to manage through this. It's not so much the regulations of BIS, it's the consistency and how it gets implemented that we have to deal with.

We're not saying we agree or disagree with anything, but there is some erraticness in whether factories get approved or not, and there's very seldom, very little notice whether they're going to be or not. So, we have to duck and weave as we go through it. But there is -- we're not out of the woods yet, specifically for high-end product in athletic.

Moderator: The next question comes from the line of Saurabh Kundan with Goldman Sachs.

Saurabh Kundan: My question is around Clarks, Nissan. In the MBOs where you have introduced Clarks products, have you seen an uptick in the sales that you get from those stores? Or it just replaces some earlier sales that used to happen? So, what's the dynamic there? And second question is also related to Clarks.

Second half of this year, I think you've mentioned that you will start opening EBOs. What kind of -- and, if you could give us some sort of a guidance on what could be the scale up in the case of Clarks banner, assuming that it will be faster than the sports and athleisure brands that you have?

Nissan Joseph: Saurabh, thanks for the question. Just so you know, we launched Clarks women's in late calendar last year, and it did extremely well. We launched it in about 200 of our door, MBO doors. This spring, we have gone to about 350 doors. By the end of this year, we hope to take it to 700 of our doors, right?

So that gives you some color about the success of Crocs. I think what's specifically exciting -- about Clarks -- I'm sorry, what's specifically exciting about it also, it's not cannibalistic, and we know this from our consumer data. We see the kind of consumers buying Clarks. We see new consumers coming into the fold. We see consumers that never bought that kind of a sandal from us buying one or that kind of a shoe from us, right?

Early this year, we launched men's collection in our stores. Again, we launched it in not more than 100 stores of our doors. That has surprisingly done well. And like I mentioned, for the women's range, very similarly, it's not cannibalistic to neither the Metro or the Da Vinchi, nor the Mochi or the J.Fontini brand. It seems to track the consumer that is a brand loyalist.

So, we are happy to see that. We will be opening Clarks stores beginning Q3 of this year. And once we get that machine going, you can definitely see that open at a much faster pace than we've done anything except maybe Crocs 5 years ago. As you know, with the Crocs stores, we took off on how many stores we opened within a short period of time. I think the runway for Clarks in India is probably somewhere in the 100 store to 150 store range in the near -- in the foreseeable future.

Of course, that will continue to grow as India continues to economically get stronger, but also have rising aspirations come through. I was just trying to give you some color going forward. The other reason we feel relatively strong about Clarks and the future of Clarks and their EBOs, Saurabh, is their production is all moved to India for us, right? They've opened up an entire production supply chain here that caters just to our markets, for our markets. They're able to be quite nimble with it as well, the way they structured it. So now that gives us even bigger confidence to go after investing in the business.

Moderator: The next question comes from the line of Manish Poddar with Invesco AMC.

Manish Poddar: I have just one question. So, given the entire context of how demand is going across, how is the outlook looking like for FY '27? I understand you mentioned about the mid-teens aspiration. But I'm just trying to think of when I look at the sort of interventions you are trying to do in terms of multiple formats, there were BIS issues in the past. Shouldn't now -- in my understanding, things that ground are improving at the margin.

So, shouldn't like 20% growth be like the baseline? I mean, just want to think why are we still around that, let's say, 13%, 14%, 15%, 16% ballpark, that's where we are thinking of -- are things on ground getting worse? Just wanted to get a sense from that perspective.

Nissan Joseph: Manish, so I don't -- I do want to use this time to give a shout out to the team. Over the last 4 quarters, we've outperformed all our peers in growth, right? So, while you've come to take the 15% growth from Metro for granted, it definitely has been -- I don't know what your numbers look like in the last quarter, but it has been close to 4 quarters prior to that, an outlier on the positive side. Now you want me to go outside the outlier box, too, I take it. But I understand where you're coming from.

Listen, Manish, it's not that we don't believe that 20% is possible. And it's not that we operate like, oh, we're not going to try for that 20%. But those are the kind of things that get you in trouble also because if and when you're wrong, then you're hung with inventory and you got to put it all on sale and then you got to lose a lot of your brand share. We would rather have measured growth, right? And there will be quarters that blip up and do that 20%.

But if you go after 20% and you only come in with 15%, that's absolutely fatal to a business. You'd rather go after 12% and come in at 15%, you'd rather go after 15% and come in at 20%, than go up to 20% and come in at 15%. So, when we guide to those numbers, I don't want you to think for a moment that that's what we aspire to or that's what we're not constantly trying to figure out how to get to there. But we also got to be prudent and responsible in how we run our business.

Manish Poddar: Okay. Because the way I was looking at it, when you look at your 2-year CAGR this quarter also and even in the last 4 quarters, it's been 8%, 13%, 15% and 12% this quarter. So I was just trying to think through -- and I'm not taking away anything of this growth in this macro environment. I was more trying to understand, let's say, are things on ground improving at the margin or things getting worse at the margin? That's what I was trying to get to in the overall context of things.

Nissan Joseph: Well, they're definitely improving. And I think what we are most pleased about is the lumpiness of business that happened after COVID, right? So, you had the COVID bump up, then you had to go down, then you had to come back a little bit, and you had a very lumpy business trail. What we're seeing now is a very, very steady 3 quarters worth of double-digit growth. You never saw that from us in the 6 to 8 quarters before that, right?

So, it's just stabilizing. It takes a little bit for everything to stabilize, but we feel pretty optimistic about as we look to the future, and also with some of the investments we are making, right? It's not like we've been sitting on our thumbs through this time saying it's all a lumpy business. We've been making significant investments. We've been trying a lot of new things.

We're investing in marketing, as I keep saying. And all of these things, there are hits, there are misses. And when there's a hit, you try to double down. When there's a miss, you try to course correct.

Manish Poddar: Just one point, if I can ask more. Let's say, in terms of footfalls versus conversion, this metric, let's say, 2 quarters back versus now, if you can, let's say, probably maybe qualitatively give us some idea on these 2 variables, how are they now versus, let's say, 2 quarters, 4 quarters back? Just to get a sense of the buoyancy.

Nissan Joseph: Yes. So, I think one of the drivers that we have helping our sales is our conversion numbers, right? Our conversions are going up, which means our total bills are also going up at the same time, showing that there's traffic. We also measure new customers coming into our doors to somewhat gauge the efficacy of our marketing initiatives. That is also looking good.

So, what I'm getting at is when we pull levers and we expect certain results, those results are coming in line along what we expected. And that is always -- has always been the case in these last 10 quarters since COVID, right? So that's why I feel optimistic about the business, Manish. But to now go and put a number against that, I don't think is how we operate.

Moderator: The next question comes from the line of Prerna Jhunjhunwala with Elara Capital.

Prerna Jhunjhunwala: I just wanted to understand the structure that you are now going to operate as I saw that you appointed Chief Business Officer for athleisure or sports category. Could you share some thoughts on how this appointment would make a difference in these businesses?

Nissan Joseph: Yes, Prerna. So we operate with 4 verticals. We operate with the vertical of our core business, which is Metro and Mochi. We operate the value vertical, which is Walkway and Shoe Depot. We operate the strategic brands, which is the Crocs, the Clarks and the FitFlops of the world.

And then we operate the sports division. We believe each of those verticals have a significant potential and runway for growth, a significant potential to contribute to profitable growth for us as we look to the future. And hence, thought it was important that we get focus to those verticals by adding some help. You're right, we did add a Chief Business Officer for our sports vertical. We did add a President for our Metro Mochi business.

We have our Chief Operating Officer taking care of our value brands and our strategic brands. That kind of focus, that kind of leadership is needed by us to hit the aspirations that we have as a company. And again, it backs up to the runway for growth for each of those verticals is significant. And to do that, we need to make sure that we resource it adequately. So that's why we've been doing it, and I hope I've given you some color on how they all fit.

Prerna Jhunjhunwala: Understood, sir. So then in this sports category, how are you looking at in totality where we should be in the next 3 to 5 years versus today in terms of maybe number of stores or revenue, or some color on growth that you could share with us in this category as you've been trying to build up this category?

Nissan Joseph: Sure. I think there's 3 -- there's 2 ways to grow that sports business. One is with the FILA brand and one is with the retail brands of -- the 2 retail brands of Foot Locker and MetroActiv, right? We believe that the way that we are going to get involved with sports, drive sports is through our roughly 700 Metro Mochi stores. If they start contributing 10% to 15% of their sales from sports, that will be a significant growth in our sports business.

That's number one. I think the runway for between a FILAEBO, a Foot Locker and a MetroActiv is somewhere between 300 to 500 stores in the 5- to 7-year future. And I think that's a number that we should be looking at. These are the numbers and the metrics and the North Star that we're going to look to. I'm not saying that's my prediction because we don't want to say any future-looking statements, but those are definitely what we look to as we start building our businesses.

Prerna Jhunjhunwala: And sir, any color on Clarks, if you could share like in the same manner, that would be helpful.

Nissan Joseph: As I mentioned, Clarks has started off very well. We believe that the market today for Clarks is somewhere in the 150 store range. That's going to grow as we get to that point and get -- there'll be more opportunities out there because as you know, Tier 2 cities grow and become Tier 1 cities and then it becomes a reasonable place to put a few Clarks stores in it, right?

So similar brands to Clarks have about roughly 200 stores in the market today. But I would say only 150, because I'm guessing not all of those 200 are profitable for the other brands too. So as you know, we're very, very disciplined as to what we do, but that's the run rate for Clarks from where we sit today.

Prerna Jhunjhunwala: Understood, sir. Next question is on input cost inflation, given the crude oil prices and other input cost inflation kicking in. And you mentioned you would like to maintain your margins.

Are you resorting to price hikes or mix improvement? Or what is the strategy to maintain the gross margin?

Nissan Joseph: No, we did see some potential for input spikes, but we've been able to mitigate that by a future -- forward buying and assuring people that we are going to buy some things and locking that production in as the cost started rising. So, we were able to lock into some prices. We are seeing normal inflationary pricing of between 3% to 5%, but nothing that's coming from oil prices, which we know has fluctuated up and down. But we're not seeing anything yet that's impacting our business. However, should there be an impact, we also buy forward enough, right?

So, we're not buying for tomorrow, today. Right now, we're buying for 4, 5 months out. So it gives us a little bit of runway to ease into that price as opposed to have it come overnight to us.

Prerna Jhunjhunwala: Any price hikes taken, sir, by you in the last quarter?

Nissan Joseph: Nothing unusual, nothing more than our normal inflationary price hikes from time to time on certain products that hit it, but nothing that stood out for us.

Moderator: The next question comes from the line of Ashutosh Joytiraditya with ICICI Securities.

Ashutosh Joytiraditya: I have 3 questions, sir. The first one is on the split of the SSG, if you can provide a broad split like how will be the split between the traffic growth or maybe the higher ASPs that you are targeting or more number of frequency? Like any broad sense on that? What will be the focus area for driving the SSG?

Nissan Joseph: I'm sorry, for driving SSG. I think it's a combination of a few things, right? One of them is you improve your conversion -- you improve traffic into the stores, first and foremost, and that's where your marketing initiatives come in. The second one is you run a higher rate of conversion, which is where our focus on our staff, our service, the quality of service that we offer, the quality of stores that we offer, the displays that we offer, the product assortment that we offer comes into play.

And last but not least, it's improving the size of the bucket, which also comes between selling different items to a consumer when they shop for one product with product adjacencies that is, but also some ASP increase, right?

So those would be the 3 things that really drive SSG for us -- of driving traffic into that store. A lot of it is retaining a customer. It's also making the customer that bought one time with you buy a second time, and it's also bringing in new customers, right? So Ashutosh it's multiple strategies that have to work in sync to make that happen. And we have initiatives and leadership that drives all of those initiatives.

Ashutosh Joytiraditya: Okay. Fair point, sir. Understood. And second question is on Walkway. So, as we know that it's dilutive on both margin and also the sales per square feet. So, my question is that how one should read success, like, down the line, maybe 3 to 5 years? What will be the key parameters to judge its success?

Kaushal Parekh: Thanks for the question, Ashutosh. We very well know that Walkway's margin will be lower than the reported margin, say, for Metro Mochi, Crocs, etcetera. However, for medium- to long-term, our thought process is if this format can churn ROCEs close to 25% to 30%, it would be a very good utilization of our treasury, which currently is, say, earning around 7% to 8%. So, success parameter for us would be to hit those kinds of ROCEs on a consistent basis over medium- to long-term.

Ashutosh Joytiraditya: Okay. Understood. And one more question. So, any key learnings which you would like to highlight from this 2,000 square feet store that the focus which the management has shifted to from the earlier smaller stores, like any initial learning?

Nissan Joseph: I think the initial learning continues to be what is tried and true in retail. You have to have the right location, you have to have the right people, you have to have the right product in these new stores. But we find that if a market can sustain it, we need the 2,000 square feet, but opening a 2,000 square feet for the sake of it doesn't make any sense. So, we're continuing to play with it. I think initially, we've had some success with it that we need to continue to build on it.

Ashutosh Joytiraditya: And sir, just one last question. So, I was just thinking like what would be like internal parameters which the management would be tracking? So, suppose if you want to basically increase the capital towards a particular brand, so what are some key parameters which the management basically looks at it?

Nissan Joseph: Okay. So, at the very top line, what I would look at, first and foremost is, is this additive or is this dilutionary to us, right? Does it dilute what we're already doing? Or is it bringing and catering to a new consumer that we're not catering to in one of our portfolio brands, right? So how does this fit across our portfolio?

Is it going to be cannibalistic if we grow it? That's the first question I have to ask. The second question you obviously have to ask is from a financial investment standpoint, how much of capital allocation do you want to give to that versus the other options that we have? And as you know, all 9 of our banners have huge runways for growth. So, it's managing who gets what.

And fortunately, we do have a lot of capital to invest, but that doesn't mean you should spend it. You got to spend it judiciously, right? So that's the second thing we look at. And I think a lot of it comes down to where is the opportunity from the consumer side, what's the consumer demanding, what's the consumer unmet need that we've got to focus in on? So that's a broad level of how we look at things.

And then, of course, at the granular level, we're looking at every single deal and every single opportunity that comes across our table and seeing does it make sense for that particular banner? Does this make sense for us as a company to have? All those questions have to come into play, and that's how we evaluate all opportunities as we go forward. The good news today, though, Ashutosh, is we are positioned to where we have the right banners with us, the correct brands or banners, however you want to look at it. We have the capital, we have the leadership to drive each of those banners to the potential that it has.

Most excitingly, I think it covers almost every need most Indians would have when it comes to footwear. So, we feel good about where we are positioned. Now it's just a matter of continuing to grow it with financial discipline.

Moderator: The next question comes from the line of Devanshu Bansal with Emkay Global Financial Services.

Devanshu Bansal: Nissan, my question is on resilience of the business, right? So, the commentary that you have been sort of maintaining indicates that we have diversified ourselves. We have invested in top talent across business segments, and we even have brands which can address our climate aggravations, right? So, I really appreciate your team for return of double-digit growth in the business, but there is a 250 to 300 bps fall in PAT margin, right? And this drop is mainly coming from operating deleverage.

The gross margin has actually improved. So, I wanted to sort of check upon a few initiatives which can help to improve the predictability of PAT growth in the business, right? So, I wanted to take your views on that.

Nissan Joseph: Okay. So, I think when we look at our PAT number, let's just talk about the delta of about 200 bps, right? A significant portion of it came from our investments in marketing, right? So I would say almost 100 bps plus came from just increased marketing spend, not specifically for marketing for that quarter, but marketing for the brand at the top of the funnel. And as you know, in marketing at the top of the funnel takes a while to filter down towards the bottom of the funnel, right?

So that's half of it where that came from. The other one was treasury income. And as you know, Devanshu, we carry a significant treasury. And when the treasury returns last year were in the teens, and this year, they're not in the teens, and that's not unusual to us. That's the market as it is.

That impacted us. The third one was our new stores. Last year, we opened 140 new stores. We closed 20, so there's roughly about 120 new stores, right? All those stores do not run at the same profit rate.

They don't run at the same metrics. Like the gross margins run the same, but EBITDA doesn't -- and so does the profit margin, right? That's all dilutive to us. You couple that with the fact that almost 40 of those 140 stores were Walkway stores that have a significantly lower PAT, right? All of that caused it.

And then, of course, the leadership I talked about. However, having said that, I'm confident that we can continue our growth without it being dilutive in any way or shape or form despite opening up formats like Walkway that don't come in at the same profit margin as the rest of the business. I'm confident that we'll continue to grow our business at that 15-plus percent profit range.

Devanshu Bansal: No. So I get that, Nissan. So, question here is that, obviously, 15% was a normalized expectation from your business, right? And then if we are adding new avenues of growth, that should obviously inch up the top line growth. Maybe at a lower margin, but in absolute terms, the PAT growth should be there in the business, right?

So, I just wanted to check as and when should we expect this mid-teen to high-teen kind of a PAT growth to return in your business?

Nissan Joseph: Yes. I think that's a very fair expectation, and that's something we would expect too. I think once the treasury will normalize, our marketing will normalize back again because we did invest -- overinvest in marketing last year. So, we will lap those numbers. The talent will start to pay off for itself.

It's an investment because you expect the talent to start to deliver. And then, of course, the new stores will start getting better and better performing, right? So, I totally agree with you that we should be getting back at that level, and we will. We have no concern. Equally, I want to assure you, we have no concerns about getting back to that number, Devanshu.

Kaushal Parekh: Devanshu, if I may interject, we expect our PAT to be in the range of 13% to 15% as we have sort of guided even earlier.

Devanshu Bansal: Got it, Kaushal. Sir, second was to get some more understanding on this online business, right? So, we were growing at almost 40% growth. Your commentary suggests that Q1 was kind of a blip. I wanted to check in rest of FY '27, can we sort of get back to earlier levels of growth? Or do you feel that now the base will catch up and now we should see normalized growth in this channel?

Nissan Joseph: Yes. I think it's tough to keep the 40%, 50% growth going without starting the discount. That's a channel, Devanshu, that you could really explore if you decide to go the discount route, right? So, we have no desire to do that. We have every desire to maintain our brand.

We have every desire to continue to invest in the brand and not just drive the top line revenue to get big sales, right? If you look at the 5-year CAGR for it, it's been at 45%. Is that sustainable over the next 5, 10 years? Probably not. But at the same time, we're not going to go down to single digits.

I would say a very good 20% to 30% growth in e-commerce, what I would plan on, that I would consider healthy for our business. Much more than that, something is wrong with our business, much less than that, something did go wrong, right? So, I would definitely not look at e-commerce as an outlier left or right of that positive number.

Devanshu Bansal: Sir, just last one question. Your realizations have inched up 6% versus last year. I just wanted to understand ballpark components which have led to this increase. Maybe there are new premium formats you have launched, there will be premiumization within existing formats plus some price hikes which you would have taken. So, if you could just ballpark help me understand what are the drivers of that?

Kaushal Parekh: Devanshu, primarily it is on account of mix. Obviously, newer slightly premium format, the contribution to sale has improved. So obviously, that has led to improvement in ASP. Q1 is a reasonably big quarter for Crocs. So, when you compare Q1 with full year, generally, we see a slightly higher ASP growth. But for the year, I think we should be close to 3% to 4% broadly.

Moderator: The next question comes from the line of Avinash Karumanchi with Motilal Oswal Financial Services.

Avinash Karumanchi: So, my question is regarding the BIS. So, a couple of months back, there is a thing in the QC order from the BIS, which allows the import of goods. So is this any way helpful to ramp up the product launches in the -- earlier when we discussed because of the BIS bottlenecks, the lead time for FILA has increased from 6 to 9 months. So, would it in any way reduce that lead time and ramp up the FILA launches?

Nissan Joseph: No, it doesn't have a significant impact to us, plus or minus. All of our imports continue to face the right amount of challenges and the right amount of solutions that we come up with it, right? So that hasn't impacted us. What really impacts us more is all the ASEAN countries are not getting renewals on the BIS. And that probably has more of an impact to us than anything else.

Avinash Karumanchi: Okay. Got it. And the second thing is like in the recent EOSS, if I look at it, like there's still a good amount of FILA inventory which is being sold on a heavy discount. So, is this the inventory that was bought earlier with the company? Or is this inventory that was recently won?

Nissan Joseph: I think it's a combination of things. It's the last bit of inventory that we acquired from the company before. And -- but it's also in-season discounts. The sports business, unlike the footwear, unlike our Metro Mochi business, tends to have a 3-month life cycle on products, right, 3- to 4-month life cycle on products.

So, it's not unusual to see products on sale. You look at any of the big brands, they have a sale running almost every 3 months and significant amount, right? The EOSS sales are very big and significant. We're not immune to that.

So -- and because you have to buy -- all sports brands have to buy 9 months ahead of lead times, like you mentioned earlier on for FILA, all sports brands are that way. When we place an order with any of the sports brands, we are placing it almost 9 months out, right? So, when you have -- when you're buying products out that far in advance, you're hedging a lot. So, you're going to have some on sale, but that's okay. That's how the beast is built, and we're quite comfortable with that.

Avinash Karumanchi: Okay. I mean, I'm asking this question because a good part of these products that are discounted are the ones that are manufactured in Haryana, these regions.

Nissan Joseph: Yes. Yes, you would see increase in discount. It's how it works. That's not an issue, right?

Avinash Karumanchi: Okay. And one last small question. You mentioned that there is a 100 bps increase in the marketing investment. So historically, this marketing has been in the range of 2.5% to 3%. So should we assume that with the more focus on the format this number should be higher going forward?

Nissan Joseph: No, it's not going to be higher than it was last year because we started investing in marketing starting last year, right? And then we -- it's also -- as sales increase, then that percentage starts to come down again. What we wanted to do is build the top of the funnel for our multiple brands that we have.

And also launching brands, whether it's Clarks, whether it's Foot Locker, whether it's FILA, always requires a significantly higher amount of marketing at the front end of it, right? You would know that from all the D2C brands that start up and all the start-ups that I'm sure you've seen, you have to spend much more in marketing on the front end. Once the brand gets velocity, it doesn't need as much. So it's not a number that's going to keep growing and growing.

Moderator: The next question comes from the line of Shraddha Kapadia with SMIFS.

Shraddha Kapadia: So, one question that the 3,000-plus segment currently contributes approximately 57% of our sales. So, do you see further scope for premiumization over the next 2 to 3 years? Or do you believe the mix is approaching a steady state?

Nissan Joseph: No, we definitely see an opportunity for premiumization continue, specifically in banners of our Metro Mochi, specifically in our Foot Locker banner, specifically with FILA. So when you look at all those banners and now with Clarks as well and FitFlop, when you look at all those banners, they all run at a higher price point range. The only banners that we have that don't come in very -- don't clock-- , significantly in that range is Walkway, right? Even Crocs tends to be up in the higher premium.

So just looking at the mix of things, we're definitely going to have that number continue to grow. I mean, we started off a few years ago in the 40s. And as you rightly mentioned, it's in the mid -- it's almost getting to 60 now. And that's going to continue. What we want to make sure is that you don't have price increases and you have customers fall off, right? So, we also closely track our volume growth in products to make sure that we're not losing market share.

Kaushal Parekh: And Shraddha, we will also see some normalization in Q2 because then after end of season sale, again, the number comes back close to the long-term average. So Q1, Q3, generally, this goes up. Q2, Q4, it again normalizes.

Shraddha Kapadia: That was quite helpful. Just last one from my end. So, you have also highlighted inorganic opportunities as a strategic priority. So, are you evaluating acquisitions primarily to add new brands and then the existing categories? Or are you also planning to enter any adjacent category?

Nissan Joseph: No, I think that's -- we haven't said that in a while. I think it's one of our original deck. You're right, Shraddha, you caught that. But that was really one of our original deck that we sent out when we first went public, the first season of going public. And we've kind of left it there because that has been a strategy in the past.

Even from where we sit today, we -- I feel confident that we have an adequate number of banners to drive business for the various consumer occasions in India. Having said that, though, it's not that we're sleeping at the wheel. We are aware that we want to be what the consumer wants, right? So tomorrow, the consumer wants something that we cannot serve, then of course, we'd be very keen on exploring how we can get that to India, right? But until that happens, we're very -- we have a handful at the moment, full of opportunities and full of banners to grow.

Moderator: Ladies and gentlemen, that was the last question for today. On behalf of Motilal Oswal Financial Services, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.