

Date: October 23, 2026

The Manager
Listing Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001
Maharashtra, India
Scrip code: 543426

The Manager
Listing Department
National Stock Exchange of India Limited,
“Exchange Plaza”, 5th Floor, Plot No. C/1,
G Block, Bandra – Kurla Complex, Bandra
Mumbai-400051, Maharashtra, India
Symbol: METROBRAND

Subject: Transcript of the Investor Call on Unaudited Financial Results (Consolidated and Standalone) for the quarter and half year ended September 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 October 08, 2026, and October 16, 2026, and pursuant to Regulation 30(6) of the Listing Regulations, please find enclosed the transcript of the earnings conference call for the quarter and half year ended September 30, 2026, conducted after the meeting of Board of Directors held on October 15, 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 Digitally signed
by DEEPA SOOD
SOOD Date: 2026.10.23
17:27:39 +05'30'

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

Encl.: As above



**“Metro Brands Limited
Q2 FY '27 Earnings Conference Call”**

October 16, 2026



MANAGEMENT: **MR. RAFIQUE MALIK – CHAIRMAN – METRO BRANDS LIMITED**
MS. FARAH MALIK – 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 MALIK – PRESIDENT, SPORTS DIVISION, E-COMMERCE AND CRM – METRO BRANDS LIMITED

MODERATOR: **MR. ASHUTOSH JOYTIRADITYA – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Metro Brands Limited Q2 FY '27 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. I now hand the conference over to Mr. Ashutosh Joytiraditya by ICICI Securities Limited. Thank you, and over to you, sir.

Ashutosh Joytiraditya: Yes. Thank you, Shaurya. Hello, and good afternoon, everyone, present on the call. I, on behalf of ICICI Securities, welcome you on Metro Brands Limited's Q2 FY '27 earnings call. I would like to thank the management to give this opportunity of hosting the call. From the management, we have Mr. Rafique Malik, Chairman; Ms. Farah Malik, Managing Director; Mr. Nissan Joseph, Chief Executive Officer; Mr. Kaushal Parekh, Chief Financial Officer; Mr. Mohit Dhanjal, Chief Operating Officer; and Ms. Alisha Malik, President, Sports Division, E-com and CRM.

I now hand the call over to Nissan, sir, for the opening remarks. Thank you.

Nissan Joseph: Thank you, Ashutosh. Good afternoon, everyone, and thank you for joining our earnings call. On a stand-alone basis, second quarter net sales grew by 12% year-on-year to INR712 crores, while profit after tax increased by 14% to INR73 crores, and EBITDA grew 15%.

On a consolidated basis for the second quarter, revenue grew by 12.2% to INR730 crores. EBITDA increased by 15.9% to INR198 crores, with EBITDA margin improving to 27.1% compared to 26.2% a year ago. Profit after tax grew by 11%, almost 12% to INR77 crores with the PAT margin unchanged at 10.6%.

E-commerce, including omnichannel sales, grew by 12% in the second quarter and contributed 14.2% of revenue. For the first half, it grew by 11% and contributed to 13.6%. We continue to connect our stores with our online platforms, giving customers more ways to discover and purchase our products. As search behavior evolves, we're also working to maintain our brand's visibility across marketplaces and emerging AI-driven discovery platforms.

When assessing this performance, it is important to recognize that a large share of festive demand shifted into the third quarter compared with last year as sales demand moved from September to October. Gross margin improved to 58.4% for the first half compared with 57.3% a year ago. However, several costs offset that improvement further down the income statement.

These included continued investment in talent and brand building, higher frontline staff costs following minimum wage revisions, and a modest increase in occupancy costs associated with incubating new formats. Lower treasury income also, against a prior stronger year, also affected PAT growth.

We recognize the difference between our revenue growth and bottom line growth. Our focus remains on developing the embryonic businesses of athleisure and investing in marketing and talent while maintaining discipline around that cost of growth. During the second quarter, we opened 21 stores and closed 9 stores, adding 12 stores on a net basis. For the first half, we opened 34 stores and closed 13, taking our network to 1,053 stores at the end of September.

Our expansion approach remains selective. We want each format to have the right locations and product assortment to support sustainable, profitable stores. These investments position us to pursue the next phase of growth across our established portfolios and newer formats. Let me now address our newer businesses where the opportunity remains significant, but the pace of expansion depends on product availability and operational readiness.

For Clarks, we now offer the women's range in more than 400 multi-brand outlets with a limited men's range in more than 100. We expect a complete exclusive store range to become available during the third quarter with the full assortment available on our D2C site. Subject to stabilization of the supply chain and assortment, we expect to launch Clarks exclusive stores in the second half of fiscal 2027.

For Foot Locker and MetroActiv, BIS implementation challenges affecting selected external brands have constrained supply readiness and the pace of expansion. We are seeing early signs of normalization, but we will continue to calibrate store openings to product availability.

For FILA, we have begun local manufacturing of footwear in India in response to BIS-related concerns. The brand's repositioning is underway with a sharper merchandise and pricing strategy. We expect this transformation to take shape over the next 12 to 18 months with store expansion expected to pick up from FY '28 onwards.

Because Clarks, Foot Locker, MetroActiv, and FILA are at different stages of development, we will align investment and store expansion with each brand's product availability, supply readiness, and repositioning progress. Our established business provides a strong foundation for the next phase of growth.

Our own brands contributed approximately 70% of store product sales at Metro, Mochi, and Walkway in the first half. These brands sit alongside international partnerships that broaden our offering across consumer needs and price points.

We will continue to pursue profitable store expansion and develop our multi-brand platform. In digital, our priority is to build on existing capabilities, lowering discounts and strengthen the connection between online discovery and store fulfillment. Sports and athleisure remain important opportunities, through FILA, Foot Locker, New Era, and MetroActiv. Though these verticals demand continued investment on our part, we believe in the potential for each of these to grow.

Looking ahead, we expect a moderate increase in frontline staff costs as we revise the remuneration structure for our store teams. This will keep our compensations competitive and well above minimum wage levels in most states. We believe this investment will help us attract and retain strong talent, raise service standards, and support sales growth over time.

To conclude, we had a strong second quarter performance in sales given the festive shift. Our PAT margin and EBIT margins outpaced our growth. And as we enter the third quarter, we are focused on capitalizing on the festive demand.

With that, I will hand it back to Ashutosh for the Q&A.

- Ashutosh Joytiraditya:** Yes, Shaurya, we can open the Q&A session.
- Moderator:** Thank you very much. The first question is from the line of Videesha Sheth from AMBIT Capital Limited.
- Videesha Sheth:** Hi, I hope I am audible. My first question was on the store addition momentum. Looking at the store closures and I understand it's only 2%, 3% of -- on a trailing 12-month basis, it's just 2%, 3% of the overall store network. But can you help understand which format is the closure pertaining to? What are the hurdles that you'd be seeing in those stores?
- Kaushal Parekh:** So Videesha, broadly, it is not linked to any particular format. We constantly review stores. Any store, which doesn't hit profitability mark max in 2 years, we go ahead and close the store. So it is not coming from any specific format. We constantly do clean up across all the formats.
- Nissan Joseph:** We're also seeing that there are malls that have been around for 7, 8 years, but now that new malls come around them, they tend to be quite erosive to the existing malls. So that happens as well. It's not just the first 2 years. Sometimes these stores have been around for 5, 7 years, Videesha, but other shopping precincts have come up in nearby vicinities, putting pressure on this, and we believe that the right place to be is in the new vicinity, and that's why you see some of this.
- Kaushal Parekh:** As you see, even for this year, we expect it to be in that range of around 3% -- 2% to 3%, as we have seen historically.
- Videesha Sheth:** Got it. And just on the store addition pace, you did mention that you remain selective, but ballpark, should we be anticipating a lower addition momentum versus the 100 to 110 stores that you all have been adding on an average?
- Nissan Joseph:** Yes. Videesha, what we target is opening as many profitable stores or stores that we believe will be profitable as possible. We do have some growth levers of Clarks. And as Foot Locker stabilizes through its BIS journey, as FILA comes online, that creates opportunities for us. But nonetheless, we're not fixated on a number for growth. Though last fiscal year, we opened over 100 doors, and we have done so for a while. What we're really keen on is opening profitable stores.
- Videesha Sheth:** Sure. Got it. My second question was on the gross margin. What would be the moving parts for the higher gross margin besides, say, lower growth that we've seen in the e-com channel or even the partial benefit of low-cost inventory? Just trying to understand the sustainability of the number.
- Kaushal Parekh:** Videesha, there are 2, 3 reasons, but I think the most important reason was lower average discounts on our end of season sale and also online sales that we do as compared to last year. That was one of the most important reason why we saw improvement in gross margin, specifically in Q2. We have seen slight improvement in markup. And the third reason you touched upon, slightly lower contribution of e-commerce sales to the overall sales. I think these are 3 key reasons why you see the movement of 2% in gross margins.

- Videesha Sheth:** Okay. Kaushal, the second reason that you mentioned, the slight improvement in markup, was that a function of the low-cost inventory or price hike undertaken?
- Kaushal Parekh:** So it's a combination of everything, right? It is also a combination of mix, a slight price increase in view of the raw material hike that we have seen. So it's a combination of multiple factors that helps us improve the markup.
- Videesha Sheth:** Okay. And just last bit, a related question, what is the ballpark inflation seen in your RM basket and the quantum of price hike already taken in 2Q or till date?
- Kaushal Parekh:** So broadly, in terms of raw material, hike could be somewhere in that range of around 10% to 15%. But when you see it on MRP, obviously, it goes down.
- Videesha Sheth:** Sure. I will get back in the queue for my other question.
- Moderator:** The next question is from the line of Sameer Gupta, IIFL Capital from India Infoline.
- Sameer Gupta:** I'll just take it up from where the previous participant left. So stores added in first half is around 21. I understand you're not fixated with any number, but still this is the lowest net store addition in first half that we have done in the past 4 years, even including FY '25, which was a low store addition year for the company. So just wondering, is there a recalibration of the store opening strategy given strong momentum that we are seeing in the e-com channel? Not this quarter, particularly, but last year was a good number. And we kind of have recalibrated our strategy about store addition presence. Anything that has changed?
- Nissan Joseph:** Yes, Sameer. So first off, the number for the year is not 21. It's actually 34 were opened. And what you're seeing is 13 closed, right? So that is correct. But we did open 34 new stores in this first half of the year. What we're seeing is rentals, right? So supply is not keeping up with the demand for new real estate. As you know, there are a lot of real estate formats coming out there. We play for the long game, and we've seen this before.
- We've seen when rentals get high and there's a little bit of blip in the economy and rentals come rationalized again. If you take 34 x 2, that puts you in the 75 range. That's not horrible as a store opening number. But that's not the point. The point is we are disciplined on how we open stores. So we don't really mind whether we open 70 stores or 125 stores if we believe they all have a chance of profitability.
- Kaushal Parekh:** Nissan said, internally, we have also tightened our criteria for store openings. So obviously, we want to make sure that our rentals remains in that particular range. The team would also take some time in terms of getting the overall act right. Having said that, we surely expect H2 to be better as compared to H1 in terms of number of store additions.
- Sameer Gupta:** Got it. And I don't think I caught the number of price hike that you said you have taken. I did listen that 10% to 15% is the RM increase, but what kind of price hike have we taken on a pure basis? So I understand there will be mix in realization, but pure price hike would be ballpark in what range?

- Kaushal Parekh:** So broadly, it would depend on the quantum of increase that we have seen in raw material for that particular item. But on an average, price hike due to raw material increase would be in that range of 2% to 4%, or maybe 2% to 5%. It ranges for each article as we review.
- Sameer Gupta:** Got it. And last question, if I may. Inventory continues to be on the higher side. And of course, fourth quarter, we know that you had front-loaded, but things haven't really normalized also. But if this is the base case, then would it mean that inventory also will remain at this level for the foreseeable future?
- Kaushal Parekh:** This is not the base case for sure. I think 2, 3 key reasons, Sameer, why we are sitting on slightly higher quantum of inventory. One, and this is continuation of what we mentioned around Q4. We front-loaded inventory, especially when the U.S.-Iran war broke out. This was to ensure that we protect ourselves to the extent possible looking at the impending raw material increase that we were anticipating in front of us.
- That is one. Second, in some of the brands, like take, for example, FitFlop, there also, we have to front load -- we had to front-load inventory because 4 of their factories are coming up for BIS renewal, and we didn't want the delay in renewals to sort of -- to sort of disrupt our business. So that was the second reason.
- Third reason is also take for example, new formats like, say, Clarks and Foot Locker. We are in process of -- like, take for example, Clarks. We are in process of expanding our reach. Clarks ladies range has now penetrated in 400 MBOs of Metro Mochi. Gent's range is around 100 MBOs. So obviously, these are all doors that we are filling with inventory.
- Sales will come over a period of time. So if you broadly ask us, we will see some sort of inventory normalization to happen by March and moving back to that 80-odd working capital days somewhere around mid- to end next financial year. Obviously, this is considering nothing new comes in.
- Sameer Gupta:** Got it, Kaushal and Nissan. Thanks and all the best.
- Moderator:** The next question is from the line of Devanshu Bansal from Emkay Global Financial Services Limited.
- Devanshu Bansal:** Sir, I wanted to check the rental thing that you are sort of mentioning. The Pre-Ind AS PAT margin currently is down about 160 basis points, and this is despite 100 basis points of gross margin gain in first half. So actually, the business has seen about 260 basis points of negative leverage.
- So I wanted to check as in -- while you are mentioning that you are cautious in terms of expansion, but rental is actually playing a negative leverage role in our business currently. So I guess, I wanted to check on this. And secondly, throughput also is currently weak, and that is sort of reflecting in this negative leverage. So what are the drivers to increase the throughput in the business? So, I wanted to check on that.

Kaushal Parekh:

Let me take the first one. With respect to rental, you are correct that we are seeing some pressure, and that is what we have mentioned in our investor presentation too. If I reflect with H1 numbers, we have seen some pressure come through rentals. We have seen pressure on the front-end staff costs, which is predominantly function of minimum wages revisions that have happened.

Apart from that, we have also continued our investment in talent. You would see some increase in salaries. We have continued with our investment in marketing because we feel this is -- marketing is generally a cycle. You start investing and then it starts reflecting in 6 to 12 months. And we are seeing that positive effect on ground.

And the last reason, if you see, when I'm comparing PAT, H1 last year was very good in terms of treasury gains. If you see H1 other income was around INR54 crores, compared to the full year income of around INR100 crores. So that is also one of the effect leading to slightly muted PAT growth as compared to last year. But yes, these are all the cost pressures that we are seeing, and we are working on addressing all of this over a period of time.

Devanshu Bansal:

Kaushal, thank you for this explanation. But these investments that we have made, right, in terms of marketing and talent, by when do you think this should sort of start reflecting in better throughputs for us? So if you could just provide some more color on this?

Kaushal Parekh:

So Devanshu, take for example, Clarks. This is a business we -- which will start unfolding meaningfully from H2 and obviously next financial year. But in terms of top management team, we have entire team in place. And this applies to all the other newer formats, too. So these are investments that are happening at this point in time.

Hopefully, once we start opening EBOs for the stores, you will see better absorption of costs. So from next financial year is what you can expect improvements to start coming from. As I just mentioned, marketing, it takes about 6 to 12 months to sort of reflect in terms of better sales throughput and various other things that you do marketing for.

Devanshu Bansal:

Got it. Sir, the second question is on Crocs, right? So there are few developments which have come to our light. Firstly, we were seeing sort of this import data of rubber and plastic footwear, which has reduced meaningfully. Crocs globally has identified India as a Tier 1 market, and they're opening their own COCO stores as well. In your numbers also, we are seeing an acceleration. So are we sort of seeing better growth prospects for this particular format versus what was there earlier? And does Crocs opening their own COCO stores pose any threat to us? So that's on Crocs.

Nissan Joseph:

So first of all, I think Crocs opening stores is very, very limited and focused on creating high heat markets, which will really help our business because it has a halo effect coming through, Devanshu. That's number one. I think Crocs has done well with us over many, many years. And I think even though they've had a high base for the last few years with us, we continue to be able to grow that brand. So we're quite excited about it.

So it's nothing unusually out of the question that they have a huge runway for growth because it's been a very steady, solid growth business for us for many years, right? So there's a certain

level of maturity that we have. Having said that, like them, we believe India has a lot of opportunity for future growth.

Devanshu Bansal:

Sir, just last one question. For FILA, right? So BIS issues are now behind, right? So there is a lot of import that is happening from Vietnam and Indonesia, and this is sort of reflecting in reported import numbers in the country, right? So -- but we are sort of indicating expansion from FY '29 onwards. So what exactly are the challenges here? So this is both from FILA and Foot Locker perspective? Because I guess, from a licensing perspective, now the government has been sort of granting licenses.

Nissan Joseph:

Well, that's not quite true, Devanshu. We know a number of factories that are not getting their licenses renewed after getting it granted for the first year. There's a certain degree of erraticness and uncertainty that comes with it. So that's number one. Number two, yes, you can get licenses approved. But before it becomes meaningfully viable financially, to get a license, you need to have a certain amount of velocity of orders from a particular factory.

Don't forget they're very factory specific, right? So given that FILA is in a stage of rebuild, it's hard to hit those minimums to justify why a factory should go through both the cost and the time to get that renewal, right? So there are multiple levels of complexity that come with it. Yes, there are factories that are getting approved. I can also tell you that there were a series of factories that went through 5 months of no renewals and then all of a sudden got renewals.

It's a very erratic supply chain, and it's very hard for us to build a business based on that. So we had to come up with our own supply chain. That has been one of the reasons why it's been taking us a little bit longer to get it going. We would rather do that and be self-sufficient than hope that this BIS renewals will continue or be steady at any given point in the future.

Devanshu Bansal:

Got it, sir. I'll come back in the queue for more questions.

Moderator:

The next question is from the line of Saurabh Kundan from Goldman Sachs.

Saurabh Kundan:

Just going back to your revenue growth that you've reported this quarter, 12% or 13%. I recall, I think there was some benefit, Nissan, in this quarter that you got because Crocs sales from Q2 -- Q1 had, I think, shifted to Q2. Just trying to understand if you take that effect and late festive effect out of the equation, any idea you can -- any indication you can give us as to what is the real underlying sales growth in your business today?

Nissan Joseph:

Yes. So Saurabh, when we talked -- I think it was at the conference call, right, that we had, we were -- had a delayed monsoon this year, and that's what had moved some of it -- some of those sales into the subsequent quarter. As you know, the monsoon hasn't been that strong even in the second quarter. So it wasn't the most monsoony of seasons to see Crocs. Having said that, Crocs had decent growth, but Crocs business is about less than 20% of our entire business if you count everything they do between the stores and Metro and Mochi, multi-brand. So it doesn't really move the needle.

The biggest driver for this quarter is the fact that we had Durga Puja and the finishing of Shraddh inside the quarter last year, whereas in this year, this quarter, that has been exactly the other way

around. Durga Puja got moved out and Shraddh fell into this quarter fully with no benefit of post-Shraddh season sales. So we believe that it has about 250 to 350 basis point impact on our growth, which takes us right back to that 15% growth that we always have guided to.

Saurabh Kundan:

Sure. Understood. And my next question is around the margins. If I recall correctly, there's a guidance that you have of PAT margin being somewhere around the 15% mark. This year, until now in the first half, it's obviously lower than that, even if I look at the adjusted PAT that you've started reporting. I just wanted to ask if the 15% guidance is more like a sustainable medium-term guidance?

Or you think that in the second half this year itself, you'll be able to make up for the shortfall, so to say, in margins that you have had in the first half? And a second related question is the gross margin level or expansion that you've seen in this current quarter. I think Kaushal mentioned the drivers for it. Should that expansion more or less continue going forward in the second half of this year?

Kaushal Parekh:

So Saurabh, on PAT, H2 will certainly be better as compared to H1. Historically, we have seen that. And in this year, because of this festive shift, more so. So even if you see compared to last year, broadly the same -- last year or many years, broadly the same trend is what would be visible. 15% PAT is like a medium- to long-term guidance we would want to be in that range of around 13% to 15%, especially considering investment that we are doing in the newer business. When they start kicking in, obviously, our target is to hit that number on a consistent basis.

With respect to your question on gross margins, a portion of it was -- a reasonable portion of it was on account of lower discounts on the end of season sale that happened in Q2. So obviously, that will not sustain in Q3. However, improvements or -- the improvement in markup that I mentioned, a portion of it obviously will reflect in the ongoing margins as we speak here on. Important thing, Saurabh, would be also the mix of sales, right?

So over a period of time, as sales contribution for Walkway, Foot Locker, MetroActiv increases to the total portion, you will see them dragging our gross margin slightly lower. At the same time, growth in other business, including Clarks, hopefully, FILA and New Era, these all will help us to sustain or improve our gross margins that we are currently reporting. So it's going to evolve over a period of time. We are not a single brand company, and there are so many multiples. So it all depends on how each of them move and then resultantly impacts the gross margins and PAT number that we see.

Saurabh Kundan:

Sure. Last question from my end is on the Clarks opportunity. Once you start opening the stores, what kind of -- because this is a completely new format does it mean for you? Does it mean that your store acceleration -- store addition can accelerate once Clarks supply, etcetera, is in place for you?

This brand does not have the overhangs of, let's say, in the case of FILA, there were primarily 2 overhangs. One is supply and the other is repositioning. I believe none of those are a problem for this one. Secondly, if you could let us know, Clarks has been around in India for quite some

time. What were the peak sales that this brand used to have if you have that number? And that's my last question.

Nissan Joseph:

Okay. Just to speak to the Clarks journey for us. You're right. We didn't have experience with Clarks EBO, Saurabh. However, we had deep experience with the Clarks and our MBO stores, which is what gave us the confidence to go seek the brand out. That's number one. If you'll recall, that's very similar to the Crocs story that we had.

And just like Crocs, where we used our sales in Metro and Mochi to guide the way as to where we could open stores, we're going to use Metro Mochi the same way for Clarks. And early in the Crocs years, we had some meteoric store openings in numbers with Crocs. The other thing is Clarks did have about 80 EBOs in the country at one point, and we have their data.

Now we're just using that as a reference point. What we like is our own reference point, which is the sales in our own Metro and Mochi stores. So that's how we look at the Clarks EBO journey. We think it has very strong legs. And the good news is Clarks is going to be not dilutive to our margins and our profitability. So that's another thing that excites us about it. When it comes to the no overhang, you're right.

We don't have any overhangs with regards to carryover inventory or BIS issues because Clarks has been diligently working over the last 2 years to establish that supply chain. And it is as nimble and robust as any supply chain we could have in the country, which is where they're making it, right? So the consumer acceptance has been extremely high and very quickly so as well.

Kaushal Parekh:

In terms of your second question, Saurabh, their peak sales, based on whatever information I have, I think that number was somewhere in the range of INR225 crores to INR250 crores. But this was inclusive of a large portion of that was distribution sales. Take for example, Metro Mochi was one portion out of it. So in terms of MRP sales, the number could be in that range of INR300 crores to INR450 crores or INR500-odd crores.

Moderator:

The next question is from the line of Tejash Shah from Avendus Spark Institutional Equities Private Limited.

Tejash Shah:

Sir, a large part of our user base or our customer base actually comes from formal economy, where at least, based on macro data, the job creation has been under pressure. Just wanted to know that, first of all, if you have trackers, then if you can share insight that, are you seeing any divergent trends of growth, let's say, in IT heavy centers versus non-IT in terms of demand?

Nissan Joseph:

Tejash, we did see some of that a few years ago. We saw a little bit in Bangalore. We saw a little bit in Hyderabad. But those things tend to normalize after a bit too because other employment seems to kick in. So we did see that. We're not seeing that as a reason for any shift in business today. Bangalore has rebounded quite nicely.

Hyderabad has not fully come back, but we don't think IT was the only reason that affected Hyderabad. We think there's a lot of real estate issues out there as well in terms of the real estate

market pricing and so on and so forth, not for rentals, but I mean, just in terms of buying and selling real estate.

So we're not seeing that. And we're not -- it's not like our growth is coming from Tier 1 or Tier 2 cities. We've kept a steady representation. 31% of our business comes from -- in geography terms, it comes from various parts of the country, 31% comes from the West, 33% comes from the South. But when you look at tiering of business, that has not moved significantly. If anything, the metro cities have actually started to over-index just a little bit, though we've opened up more stores in the lower-tier cities, the metro cities are holding their own quite well.

Kaushal Parekh:

Tejash, overall South, predominantly slightly heavily focused on IT. We show our breakups in terms of number of stores and revenue contribution. And broadly, it has remained consistent. Like in '24, 33% of revenues to come from South, same spends even in H1. And stores to sale contribution also, we don't see a significant divergence.

Tejash Shah:

Yes. Second question, just wanted to reconcile 2 divergent trends that we have been kind of calling out the last few quarters. At one place, we are calling out that there's a retail, good asset inflation in terms of real estate we are struggling to find on our terms. And at the other end, the demand in retail in general, and not only for our category, except jewellery, we are not seeing any aggressive demand in any of the subcategories in retail. So just wanted to know, is it -- like how does this settle down finally? Because if the demand is not picking up for retail in general at large, then rentals have to reconcile with that at some stage, right?

Nissan Joseph:

No. Unfortunately, Tejash, I'm not seeing what you're saying. We're seeing a lot of players in the market, a lot of new players, a lot of existing players that want to accelerate the expansion. I mean -- and then international brands wanting to come in. We're seeing it with D2C brands wanting to go offline. We're seeing it from multiple levels and multiple avenues that is coming through, right? So I'm not seeing -- and I don't know what the QSR business is doing, but they're not actually sitting on their thumbs either.

So there's a lot of demand for space out there. And we know this because when we go negotiate a property, it used to be we could negotiate 2 or 3 times back and forth. Now it's a one and done. If you don't take it, somebody is behind you in line to take it, albeit at an unreasonable price, but somebody is right behind the line to take it. And this goes for malls, this goes for high streets. And it's all because it is in short supply relative to the demand. I don't know of any retailer planning on contracting stores. I mean, I know one, but I'm not going to mention them. I don't know any retailer that's contracting stores.

On the contrary, I know quite a number of them that want to do nothing but open up hundreds and hundreds of stores as they keep announcing it and thumping their chest about it with pride. So I don't see the divergent trend settling down. Now if there is a hiccup in the economy or whatever it might be, that's when you will see a lot of fallout, and that's when you will see Metro also spike in its growth. We had some of our best growth in the years that there were recessions in the economy, whether it's 2008 or the subsequent ones later on.

Tejash Shah:

Okay. So you are essentially saying there's a supply side issue as well, and not only demand?

Nissan Joseph:

It's a 2-way street. We are limited in our supply. This has a long gestation period for us to construct malls or shopping precincts in the country. And then, of course, there are people, like the other big box value price players that are going off market to create new shopping zones because they can't get real estate inside the shopping zone. I think you know who I'm talking about. But that takes time to develop, and it doesn't come cheap either, right? So...

Tejash Shah:

Sure. And so the last one, if I may. Sir, our front-end sales force is known to be very motivated, led by the variables that we offer in terms of as a percentage of sales or a direct impact. Now in the current environment where demand has been tepid or below budget it has been for a while, how should -- how do you, first of all, incentivize sales staff to achieve the targets or at least monetarily compensate them for what they have been kind of budgeting for? And are you making any structural changes in the compensation that you have been kind of holding for a while?

Nissan Joseph:

Yes. I think it comes from a couple of things, the whole front-end entrepreneurship for sales. It comes from a culture that's been built over many, many decades of being the best-in-class in service, right? So it starts there. And hopefully, we're able to attract the kind of person that wants to do that, right, to start with. And if that's what they want to do and you reward them, that's a double -- that's an exponential result that comes out of it.

We're going to make structural changes to our pay plan only because we want it to be even more competitive and more focused on rewarding our best and equally filtering out people that aren't productive as much because as we get -- as labor gets more costly, it's important that we have a compensation system that not only rewards our best, but is also able to very quickly filter out the people that aren't that good.

It's not that while demand hasn't been growing, we do grow SSGs every year, right? So technically, people inside a store have 2 ways to grow their income. One is, of course, by selling more this year than they did last year. And don't forget, we're a growth company. So with all the growth that's coming, there's opportunities for salesmen to become assistant managers and assistant managers to become managers and area managers and so on and so forth.

Each of those steps come with increased income and responsibility, but also increased income. These things help the journey of a person working in a retail career, right? It's just not what they make that day. If it is, that's probably the wrong person for us as well, right? You want to weed them out. If somebody is just coming there, I'll sell and I'll make my money and I'll go home. You want people that are here for a career. So there are multiple ways we pull that lever.

Tejash Shah:

Thanks, and all the best.

Moderator:

The next question is from the line of Umang Mehta: from Kotak Securities Limited.

Umang Mehta:

My first question was again on FILA. It's been 4 years since you acquired the brand. What would be your candid assessment on how much of a drag was supply and how much of it is repositioning, which is possibly not resonating with the customers? And connected to it is your statement that you're going for a more sharper pricing and brand positioning. So what exactly are we looking to change going forward?

Nissan Joseph:

So I think to be very candid with you, there was a couple of forces that hit us. Some of them had a multiplier effect. For example, when supply shut off, Umang, what they did was force us to become product creators, right? And as you know, we are great at creating product for Metro and Mochi. We're not great at creating product for the athletic business, right?

We've not done that. That's not our DNA. So not only did we lose a huge opportunity to get supply for FILA, we also had to develop a capability of coming up with the entire product architecture and the design and the language that goes behind it, right?

In that journey, you make -- you fail fast, you learn fast, you do all of those good things, but it comes with a drag, right? So that was one of the biggest drags on top of having to work out of extremely high old inventory levels there. So the supply really hit us in 2 ways. Having said that, though, we've tried a lot of things.

That's the good news. We failed a lot, which is also good news because we learn a lot from that. And now that we talked about sharper pricing, it doesn't mean necessarily lower pricing, but we now understand what of those tests that we've run have actually worked and what hasn't worked. So the sharper comes from having more of a point of view and a direction rather than necessarily a price point.

Umang Mehta:

Understood. And so your view that in the medium term, even this format can have, say, store counts north of a few hundreds, still remains the same, and there's no change to that?

Nissan Joseph:

Yes. In the next 2 to 3 years, medium term, that's definitely the aspiration.

Umang Mehta:

Sure. Got it. Just one quick question on staff costs. So we've seen 24%-odd growth in first half. With the changes that you're making, how much more should we kind of build going forward?

Nissan Joseph:

I'm sorry, staff costs and the 24%, I'm not connecting the 2.

Umang Mehta:

So, I'm saying you mentioned about changes in remuneration, right? How much more should we kind of factor in, in terms of growth going forward -- in staff costs?

Kaushal Parekh:

So Umang, our -- with the change in the remuneration structure, we expect increase in our front-end staff cost anywhere in the range of 0.5% to 1%. Having said that, our expectation is that we will be able to improve performance and top line. So if that happens, the impact would automatically come down.

Nissan Joseph:

Umang, the reason it is 0.5% to 1% is we want to be above and beyond the minimum wage.

Umang Mehta:

Understood. Thanks a lot, Nissan and Kaushal, all the best.

Moderator:

The next question is from the line of Utkarsh Nopany from Anand Rathi Group.

Utkarsh Nopany:

Sir, my first question is with respect to your volume growth. So if we see your average realization has gone up by, say, 15.5% in this H1 FY '27 over H1 FY '23, but your revenue per square foot has gone down by 17% over the past 4-year period. So does it mean that your volume has been

under pressure on a consistent basis over the past 4-year period? If it is yes, what is the reason for the same? And do you expect the similar trend of weak volume to continue going forward?

Nissan Joseph:

Well, if the 4-year period, you're talking about anchors on the post-COVID year, I mean I think that was a year that was stellar. And if we've been able to match that year, that's quite commendable. I think what we've done over the last few years is we've had SSG growth that has come from 2 things. One is, of course, there's been this inflation/ASP growth.

And I say inflation/ASP because ASP is also the mix of goods. The average selling price is a factor of mix of goods. And of course, it comes from volume growth. And I'm talking about like-for-like. Of course, we've seen overall volume grow because we've added new stores, we've added new formats, right?

What I've looked at for the past few quarters, Utkarsh, has pretty much maintained our sales per square foot, and that's very tough to do for 2 reasons. One is all the new stores we opened come in at a much lower rate of productivity than our existing mature stores, right? So that is a given that that's what will happen.

Secondly, we open a lot of stores where we are already successful. So there's a very successful Metro, we're going to open up a Mochi. -- there's a very successful Metro and Mochi that's selling x amount in Crocs, we'll open up a Crocs store. So while it looks like we've been volume challenged, we've actually been a lot -- mostly the beneficiaries of that volume in the markets where we operate, right?

So it's not like we've been challenged for volume because of some other person from the outside getting it. More often than not, it's us getting it. And more often than not, it's a new store that has a double effect on me, right? So let's just take a case. Metro is operating, doing x amount of revenue. I come in and open up a Mochi store that is like 0.6 or 0.7, 0.65 of what the Metro does or used to do.

Immediately, you see a per square foot drop in sales if you just average out between the 2. And then you also see a volume drop in my Metro stores. Having said that, we think it's a great strategy to own market as we continue to include new cities. So if you notice, it's not like we go open new cities in droves. What we really do is go behind where we've been successful and we use the backfill model. And that's been the bigger driver of it.

Utkarsh Nopany:

Okay. So sir, regarding your new store point, like if we see the proportion of stores which are more than 2 years old, it was earlier in the range of 75%, 79%. Now it has gone up to around 82%. So is that a relevant point that because of the new store addition, our volume is under pressure?

Nissan Joseph:

It's a 2-way street, right? New stores are always dilutive to what you do, right? So if I stopped opening new stores today, my SSG would flow through straight to my square foot growth, right? But today, my SSG does not flow through to my square foot because I continue to open stores. So that's why I said we maintain our square foot -- sales per square foot for a considerable amount of time for quite a few of the last few quarters that we've talked about it.

But the second thing is the cannibalistic effect, right? I mean this is literally what we do. If there's a successful Metro, we'll open up a Mochi. If both of them combined do x amount of sales in Crocs, for example, we'll open up a Crocs store. The same is going to happen as we start marching and doing our Clarks stores. And that's -- it's a compounding effect. So we do sell more volume and value of shoes in our existing doors.

Utkarsh Nopany: Okay. And sir, lastly, sir, like you have mentioned in your initial remarks that we plan to increase the pace of store addition from FY '28 onwards. So can you give some ballpark range, what kind of a net store additions we are looking to add from FY '28 onwards on an annual basis?

Nissan Joseph: Utkarsh, that was specifically for FILA that I was talking about. Because obviously, it is a little bit more of a greenfield expansion. So that's when you'll start seeing us expand. So the rest of the expansion, we're going to continue to say, "I'll open 100, I'll open 200 stores," Utkarsh, as long as I have a reasonable amount of confidence that the financial metrics work.

Moderator: The next question is from the line of Videesha Sheth from AMBIT Capital Private Limited.

Videesha Sheth: So, on Walkway, given that it's been nearly a year of the tweaking done in the strategy pertaining to assortment or experience or expansion. Can you share an update on how are you seeing revenue growth trajectory shape up over here? Or to what extent has the productivity improved in the -- through the revised proposition and the outlook going forward?

Nissan Joseph: Yes. So as you know, Videesha, in the last 12 to 14 months, we've opened over 35 Walkway stores on a base of about 60, right? So 60, 70. So the growth was considerable as a percentage of growth. In those 35, you have your typical 30% of them were good news, 30% of them performed average and 30% of them was bad news.

But the bad news is actually where the good news is because it brings learnings with it. We've realized some things as we've opened these stores in certain markets that that's not the right formula for it. We've identified it.

And subsequently, we started putting it back into use as we've opened up more Walkway stores in the last 2 quarters, and we're starting to see that it actually was the reason why the stores did not perform or did perform, right? So we'll continue to tweak this. And once -- until I have a high degree of confidence in it, we're not going to just open up the gates on it. However, the confidence is growing day by day.

Videesha Sheth: So to put it in another way, the productivity improvement, which was expected earlier didn't quite shape up, but given the recent tweaks or adjustments in the strategy, you're expecting the productivity to improve going forward?

Nissan Joseph: No. Thank you for stopping and asking me to clarify that. The productivity increases that we expected in our like-for-like stores, our existing stores did start to come through, absolutely came through, right? What we did not -- have not cracked yet is the new store opening formula. And that's the 30%, 30%, 30% I was telling you about of the 30-odd -- 35-odd stores that we opened, 30% of them were absolute failures. 30% of them did really well, right? So that's the learnings I

was talking about. So thank you for pausing to clarify that. But in the existing stores, the initiatives that we've done have been working.

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

Rahul Agarwal: Just a few clarifications. One is on the GST input credit. The GST Council is discussing that purely from a retail perspective, it looks like there will be a lot of distortion on when we have lower GST rates on the finished good and higher on the input side. Anything from a Metro Brands perspective? Does that benefit us in any manner?

Kaushal Parekh: Rahul, we don't see -- we don't have accumulated GST credit. That inverted duty structure is not a problem for us. So frankly, those changes won't have any beneficial effect on our balance sheet or P&L.

Rahul Agarwal: Got that. Second clarification was on the BIS. You mentioned Foot Locker, FILA, MetroActiv and the sport and athleisure side of Metro Mochi is basically facing issues even today. Just to clarify, you talked about another 6 to 12 months of things settling down in terms of supply chain for these brands or FILA is going to take longer, Foot Locker is earlier and you have different time lines for different brands?

Nissan Joseph: So the brands, Rahul, that we have control over, whether it's Metro, Mochi, Walkway, Da Vinci, J. Fontini, all those brands, we have sorted it out, right? And they represent about 70% of our business. Where we don't have control of the brand, that is what creates the variance and the variability, right? It's also where we don't have control of the brand is where we want to emphasize and have a lot of opportunity for growth.

So I don't know if that answers your question. The volatility, the uncertainty is higher for Foot Locker, the uncertainty is higher for FitFlop because these brands are heavily dependent on imports. The dependence on -- or the volatility there for even Clarks is not as much because they're producing home most of it in India already. So from that standpoint, it's just that the growth brands that we're looking at have some exposure to the BIS still.

Rahul Agarwal: Got it. And third clarification from Kaushal, again, on the inventory side. You mentioned that inventory number, which looks higher right now, should go back to normal by March of '27, like in another 6 months' time? Is that fair to say?

Kaushal Parekh: A portion of improvement you will see by March, Rahul. And coming back to those 80-odd days of working capital, that should happen sometime around mid to end next financial year.

Rahul Agarwal: And if I have to refer to only inventory, like what would be a normal ideal level where you want to reach versus, let's say, INR1,000 crores right now? Maybe the absolute number might not be correct, but any thoughts on that?

Kaushal Parekh: Absolute number may remain around that. But in terms of inventory turns, we would want to improve months of inventory, say, somewhere in that range of 7 months is what we feel ideal, because we also offer lots of variety. So we don't want to cut ourselves too thin. But 7 months would be an ideal months of inventory for us.

Rahul Agarwal: Got it. And lastly, Nissan, just one question. We already entered the festive season. Any qualitative comments on how the start been for October?

Nissan Joseph: Thanks, Rahul. So we're just getting ready to wrap up Durga Puja on the Eastern front, and it's done very well for us. We're quite optimistic about it. The other markets, when you compare them to a true like-for-like period versus the Diwali season, are also doing well. It is all the indications that it has the makings of a good festive coming up.

Rahul Agarwal: Got it. Thank you so much, and wish you all the best.

Moderator: The next question is from the line of Shreya Baheti from Anand Rathi Institutional Equity Private Limited.

Shreya Baheti: Sir, I just wanted to know what were our brand spends for the quarter versus as compared to last year, Q2 FY '26? And what are our expectations for same going forward?

Kaushal Parekh: Sorry, we didn't get your question. Were you asking about marketing spend?

Shreya Baheti: Yes, sir. So I just wanted to know what were our marketing spend for Q2 FY '27? And what was the same last year in Q2 FY '26? And what are we expecting going forward for the same?

Kaushal Parekh: Broadly, for this H1, it was around 4%. Comparative number for last year was around 3.25%, 3.4%.

Shreya Baheti: Going forward, like for the full year and all, it will be around 4% only, like for next year also?

Kaushal Parekh: We expect it to be around 4%, especially considering there are a few new brands, which we are still incubating. So 4% is a reasonable marketing spend.

Shreya Baheti: Okay, sir. And sir, just one more question. What would be our capex guidance for FY '27 and FY '28?

Kaushal Parekh: So close to about INR80 crores to INR100 crores, and this would include even the remodels that we do. So somewhere around INR100 crores.

Moderator: Thank you. As there are no further questions from the participants, on behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.