



Date: 17.11.2025

Ref no. SLL/SE/106-2025

To, National Stock Exchange of India Limited ("NSE") Listing Department Exchange Plaza, C-1 Block G, Bandra Kurla Complex Bandra [E], Mumbai – 400051	To, BSE Limited ("BSE") Listing Department Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001
NSE Scrip Symbol: STANLEY	BSE Scrip Code: 544202
ISIN: INE01A001028	ISIN: INE01A001028

Dear Sir/Ma'am,

SUB: TRANSCRIPT OF THE EARNINGS CALL FOR THE QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER 2025

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith a copy of transcript of the earnings call held on 12th November 2025 on the unaudited financial results (standalone and consolidated) of the Company for the quarter and half year ended September 30, 2025.

The transcript of the earnings conference call is also available on the website of the Company at https://www.stanleylifestyles.com/storage/Investor/November2025/e3Prj-StanleyLifestyles_Concall_Transcript-Q2&0%20H1FY26.pdf

We request you to kindly take this on your record.

Thanking You,

For Stanley Lifestyles Limited

Rasmi Ranjan Naik
Company Secretary & Compliance Officer
FCS7599

Enclosed: As above

Stanley Lifestyles Limited

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“Stanley Lifestyles Limited Q2 FY'26 Earnings Conference Call”

November 12, 2025



**MANAGEMENT: MR. SUNIL SURESH - MANAGING DIRECTOR, STANLEY
LIFESTYLES LIMITED
MRS. SHUBHA SUNIL - WHOLE-TIME DIRECTOR,
STANLEY LIFESTYLES LIMITED
MR. J. K. SHARATH - GROUP CHIEF FINANCIAL
OFFICER, STANLEY LIFESTYLES LIMITED**

**MODERATORS: MR. SUNNY BHADRA - EMKAY GLOBAL FINANCIAL
SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Stanley Lifestyles Limited Q2 FY'26 Earnings Conference Call hosted by Emkay Global Financial Services Limited.

As a reminder, all participant line will be in listen only mode and there will be an opportunity for you to ask question after the presentation conclude. Should you need any assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone? Please note that this conference is being recorded.

I now hand the conference over to Mr. Sunny Bhadra from Emkay Global Financial Services Limited. Thank you and over to you, sir.

Sunny Bhadra: Thank you, Shifa. Good evening, everyone. I would like to welcome the Management and thank them for this opportunity.

We have with us today Mr. Sunil Suresh – Managing Director; Mrs. Shubha Sunil – Whole-Time Director and Mr. J. K. Sharath – Group Chief Financial Officer.

I shall now hand over the call to the Management for the Opening Remarks. Over to you gentlemen.

Sunil Suresh: Good evening, everyone. I am joined today by our Group CFO, Mr. J. K. Sharath. It gives us great pleasure to welcome you all to Stanley Lifestyles Q2 FY'26 Earnings Call.

To begin, let me take a moment to reflect on our journey:

We will be completing 30 years in 2026, and Stanley began with a simple vision to bring world-class craftsmanship into Indian homes. What started as a modest venture has today evolved into India's only fully integrated luxury furniture brand, blending innovation with fine craftsmanship. Over the years, we have collaborated with some of the world's finest tanneries, perfecting the art of crafting premium upholstery leather for high-spec furniture. Our passion for design, innovation and quality led us from automotive leather to sofas and eventually to complete home solutions spanning recliners, kitchens, cabinetry, dining, bedroom furniture and furniture for every room of a modern luxury home.

Today, we operate from a state-of-the-art manufacturing facility spread across 3 lakh square feet, supported by our skilled thousand artisans and professionals who bring our vision of refined living spaces to life. With such exceptional talent and skills and capabilities, Stanley has been able to localize the world's finest craftsmanship to suit the tastes and preferences of Indian consumers. It is indeed deeply gratifying to see the precision and uniqueness that we bring to each of our products.

We operate through three distinct but complementary business segments. "Stanley Level Next" positioned in the luxury segment, offering complete home solutions. "Stanley Boutique" our legacy brand, which is now moving towards complete home solutions and "Sofas and More" in

the value premium segment, which is a furniture retail concept, each catering to different types of luxury and aspirational consumers.

Our retail presence spans 73 stores across India, including 9 new additions during the first half of this year. The retail business now contributes almost 70% of our total revenue. We operate through both COCO and FOFO formats, allowing us to expand efficiently across key metros, as well as emerging urban centers.

During the quarter, I am happy to share that we inaugurated our first ever Stanley Boutique Home, a complete upgraded store format from our legacy brand Stanley Boutique, which was offering only living room furniture and now offering complete home solutions.

A key milestone this quarter was our entry into the international market through our exclusive distribution and license agreement with Singer of Sri Lanka, a listed entity. We plan to open 8 stores in Sri Lanka over the next three years, making Stanley's first step towards becoming a global Indian luxury brand.

Our new store format Superlative, which is being built in Hyderabad, is expected to be launched in Q4. The work is progressing as planned and it would house all our premium as well as luxury segment. The store spans almost 1 lakh square feet.

In line with our brand philosophy and innovation, we are also diversifying into new lifestyle verticals, offering premium perfumes. This foray reflects our intent to extend brand Stanley beyond furniture, appealing to modern aspiration consumers who value craftsmanship and bespoke luxury. We will also be extending the perfumes to home perfumes as we go forward.

The overall Indian furniture market is large and growing fast, estimated to reach \$64 billion by 2032. In the luxury and premium furniture segment, especially, the market was valued at about \$1.15 billion in 2024. For luxury furniture India, it is projected to reach almost \$2 billion by 2033. There are several structural tailwinds driving the luxury and premium furniture opportunity. Rising affluence, wealth creation, the number of high net worth individuals and affluent households is growing in India, creating demand for premium home furnishings. Urbanization and changing lifestyles, more people living in premium housing, luxury residences, second homes, holiday homes, consumers are investing more in interiors and quality designs. Growth in premium real estate and luxury hospitality, luxury hotels, resorts, serviced apartments are increasing, which also drive high-end furniture demand for both commercial and residential segments.

Access to global brands, design exposure, Indian consumers are increasingly exposed to premium luxury global interior brands, design consultants, which raises the expectations. Customization, high craftsmanship, materials, premium furniture emphasis, high-quality material, bespoke design and craftsmanship differentiates in the market, still dominated by mass furniture.

Stanley is strongly positioned to play a definitive role in the next phase of India's luxury market growth. Over the years, Stanley has established a strong position of leadership by emerging as an aspirational luxury brand, offering consistent and innovative solutions, backed by deep design expertise, craftsmanship and strong understanding of Indian consumer preferences. This, we believe, is our greatest strength, one that creates a significant entry barrier for potential competitors. Hence, our commitment remains steadfast to deliver complete home solutions for the luxury and premium segment across India and select international markets.

With that, I will now hand it over to our CFO, Mr. J. K. Sharath, who will take you through our financial performance in detail. Thank you and over to you, Sharath.

J. K. Sharath:

Thank you, Sunil, I'll now take you through the key financial metrics that underscore our operational performance this quarter. With a solid first half behind us, our focus now shifts on the next phase of growth, scaling our retail presence, introducing new categories and driving innovation across design, material and customer experience. Every investment we are making today in stores, people and process is aimed at reinforcing our position as India's most admired luxury furniture brand.

Starting with Q2 FY'26 performance, our revenue from operations for Q2 FY'26 stood at INR 1,054 million, marking a steady 2.3% year-on-year growth. This performance was driven by sustained strength in our retail business and the continued trust of our customers. I am pleased to share that our EBITDA margins expanded significantly by 550 basis points to 23.5% this quarter, compared to 18% in the same period last year. This improvement reflects our focus on operational excellence and prudent cost management across our businesses. During the quarter, we signed lease agreements for several new stores as part of our expansion journey. This naturally led to a raise in amortization and finance expenses as we invest ahead of growth. These are forward-looking investments that strengthen our presence and prepare us for the next phase of growth. Our profit after tax for the quarter was INR 60 million, up 5.3% from INR 57 million in Q2 FY'25. While higher amortization and finance costs for new store additions had a short-term impact, these are strategic investments that will strengthen our retail footprint and drive future growth.

Coming to our half-year financials, for the first half of FY'26, our revenue from operations stood at INR 2,141 million, reflecting a healthy year-on-year growth of 5.1%. This performance was driven by the continued strength of our retail business, with a higher contribution coming from our COCO stores. Our gross profit margin improved by 330 basis points over the same period last year, supported by better procurement efficiencies, greater localization and increased insourcing of the manufacturing process, all of which helped us deliver a richer and more efficient product mix. The EBITDA margins expanded by 320 basis points to 22.1% in H1 FY'26 compared to 18.9% in H1 FY'25. This improvement reflects the benefit of disciplined cost optimization and the operating leverage achieved as our retail networks continue to scale. Our profit after tax for the first half of the year stood at INR 138 million; a robust 45.3% increase compared to 95 million in H1 FY'25. This performance underscores the strong fundamentals of our business and the growing operating strength of Stanley Brand. We feel confident about the

trajectory we are on. The fundamentals of our business are solid, and our balance sheet is resilient. We believe we are well positioned to deliver consistent and sustainable growth ahead. We will now open the floors for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shubham Biswal from Convergence Capital. Please go ahead.

Shubham Biswal:

Glad to see your efforts, localization efforts are fructifying and leading to expansion in gross margins. So, Sunil sir, I wanted to understand, our business, I think, cannot be measured via conventional metrics, right, like sales per square foot because we are not trying to optimize for the store space, right? Or even, I think, SSSG also won't be that relevant in this business. So, what are some of the internal metrics that you keep a track of? Is it ASP, for example, because I saw in one of the announcements where you are mentioning how you have taken a price hike recently during the festive season or any such metrics that you use internally to gauge your business direction in terms of store maturity or anything else? That will be my first question.

Sunil Suresh:

Thank you very much. Yes, you are right. Our business cannot be typically measured with retail mantras of same store measurement. So, as a Manu-retail brand, we have the flexibility, and we have the pricing power. So, what we normally do is, for us, we have a matrix where we have to understand that currently I want you to know that all our stores are profitable. So, we have a clear matrix, the first three to four months the store has to start breakeven. There is an order taking process and then beyond that, the store starts scaling up. So, from our experience, it is understood that the new store normally delivers about 50% to 60% of its true potential by the end of the first year, goes up to about 70%-75% second year and only after the third year it comes to its optimum level. So, that's how we measure our store matrix and that's how we keep an eye on our store breakeven as well as store profitability.

Shubham Biswal:

Okay, sir. Thank you, sir. That was helpful. Sir, also I would like to understand, our business mostly involves grudge purchases, sir. So, these are purchases that customers typically make at the end of any house purchase because of which they are reluctant to buy these products, and they usually keep it till the last. So, in these cases, sir, are we looking to transition our business in some sort of an annuity model? I know it won't be completely possible without diluting or positioning, but are we thinking in terms of, for example, I was looking at the boutique homes and the boutique home solutions that we were offering, is it a step to transition into some kind of an annuity where the purchase cycle gets shortened, for example, some sort of service model or to expand the LTV of a customer? So, are we thinking in that direction, sir? That will be my second question.

Sunil Suresh:

So, yes, to give you a briefing on this, see, primarily we were typically a furniture brand, a loose furniture brand, which would normally sell usual sofas and living room furniture. But from 2021 onwards, we have started moving towards creating a luxury format called Stanley Level Next, where we are offering complete home solutions. So, the average ticket price of a customer spending with us was roughly about 2 lakhs around 2020. But now in Stanley Level Next with complete home solutions, it is pivoted to almost about 25-30 lakhs. That is because of the

changing dynamics in the Indian residential construction industry. Today, most of the builders around the country who are offering premium and luxury homes, sell their products as what is known as, it's a condition where it's called as warm shell condition. So, in the warm shell condition, the customers will only need what is known as fixed furniture and loose furniture. Seeing that opportunity, we moved our luxury offering into complete home solutions. Now, we are doing the same thing into our premium offering also. So, with the Stanley Boutique Home, we are offering complete home solutions, where normally the customer who seeks the furniture first comes in for a kitchen, then he comes in for a wardrobe, then he comes in for the loose furniture. That's the journey. That is what we are tracking.

Shubham Biswal:

Perfect, sir. That was extremely helpful. Just two final questions. One I think it was in the past quarter, you mentioned about the potential for JVs of outside brands coming and collaborating with us. So, sir, I want to understand how this JV works. Usually, we have observed in like outside and how we can emulate this thing. And so, how does this work exactly? How does this JV thing work? That's what I want to understand.

Sunil Suresh:

I want you to understand that as the premium and luxury consumption in India is just starting, there are a lot of European brands who are looking at collaborating with companies such as Stanley, which has the knowledge, which has 2-3 decades of understanding. So, that's how we are in touch with a couple of them. Eventually, they will all have to come to India, like how car companies have come and had joint ventures with Kirloskars or with Jindals or whatever it is. So, like that, we have the infrastructure ready, we have the market knowledge, we have an excellent manufacturing capability and good understanding of design and build. So, by that time if they come as a startup here, it will take them a couple of decades to establish. So, they normally look at, that has been their global trade, they look at companies that are aligned to the segment what they're manufacturing and usually give us license contracts. So, that is what we are looking at going forward.

Shubham Biswal:

Perfect, Thank you, sir. And one final question. I saw you have done a small acquisition, I think, to enter into the perfume segment. Now, I understand that this is an unrelated segment. So, what I want to understand is that, are we kind of entering this into the segment full-fledged? Like, are we trying to make this a product-driven where we are trying to optimize for by entering GT, MT, making it a full-fledged product thing or just like an accessory kind of a thing where we can just put it in the store itself. So, because the thing is that if we are planning it like a pure product approach, where we are trying to optimize, it takes up a lot of bandwidth, management bandwidth. So, how are we thinking about this? Is it just an accessory or how are we thinking about this, sir? That's my final question.

Sunil Suresh:

Very good question that you are asking me. So, I want you to understand as a 30-year-old company moving from a premium position to a luxury segment. Lifestyle extension becomes a part and parcel of the business. You must understand that furniture acquisition happens probably once in 10 years. So, we need relevant products for younger customers to touch our brand way in advance. Like how we pivoted starting automotive seats in the past, then we moved into sofas and now into complete home solution. These are lifestyle extensions of brand. They are very

much related to a premium and luxury business, and it is not going to take much of our time. We also saw that there was a big gap and India is also now consuming a lot more UD perfume, which is not the typical deodorant. India has moved from a deodorant market to a cologne market and from a cologne market to a UD perfume. So, these are very unique perfumes that we have created with French collaboration and then we are launching them in the segment where they are actually competing with a luxury international perfume brand and very uniquely crafted leather bottles. They are currently being piloted only in our stores. The response is very good and that's what we want to extend our brand into a Stanley lifestyle brand. In the future, we also want to introduce home perfumes. That's also a large business. So, I want you to please understand that the global luxury business, product business is almost \$400 billion. So, all luxury brands have extended their products into various things. Somebody who started life as a bag manufacturer makes sunglasses, perfumes, whatever it is. So, we have to have touch points. So, thereby we said we have to extend it to fine perfumes.

Shubham Biswal: Perfect, sir. Yes, because I was just thinking that it takes a lot of time. So, is there a dedicated team that we have set up for this perfume, or we are not thinking about it that much. It's very low for now. So, is there a dedicated team, like a marketing team that we have set up for this or how is it?

Sunil Suresh: At the moment, it is what I call as a simple laboratory stage. We are just piloting. Like we said, we will not really have too much of bandwidth. It is part and parcel. Something that is a small little laboratory we have created in our facility. So, it doesn't take much of a bandwidth. We have an expert perfumer who has worked in France, who has curated 24 different nodes. And we just started sampling, and the response has been fantastic.

Shubham Biswal: Great, sir. Thank you, sir. Thank you for patiently answering my questions. All the best, sir.

Moderator: Thank you. Next question is from Khwaish Jain from Ants & Bees Investments. Please go ahead.

Khwaish Jain: Hello. Good evening. So, my first question was that you have guided in some earlier earnings call that you were targeting a thousand crore revenue over next 2-3 years. So, despite flat growth in previous years and considering the luxury furniture market in India is growing only about 5%-6% CAGR, how are you planning to achieve growth meaningfully ahead of the industry and what specific strategies will drive this target?

Sunil Suresh: Yes, very good question. Thank you. And you must understand that after listing just about a year ago, we have gone through certain major plumbing changes in the system. There's been a lot of technology implementation. We could not haphazardly grow because the old platform would not sustain this kind of growth. So, we had to go through certain changes, introduction of sales force in the front end, introduction of SAP HANA in the back end. So, a lot of technology has been already implemented. So, basically with these corrections, you already see that our EBITDA levels are starting to increase considerably and we have been very, very meaningfully trying to get the right locations. So, this will be a slow ramp up, but definitely our target of INR 1,000 crores holds very good. That is an unchanged target. We will definitely reach there.

- Khwaish Jain:** Okay. Thank you so much, sir. My next question was that you have mentioned that companies are focusing on increasing raw material localization with the target of 80% localization in 24-36 months. So, is this timeline still achievable and what would be the impact on material costs and margins in numbers once fully implemented? Also, if you could specify which key materials are being localized, like wood, leather or hardware components?
- Sunil Suresh:** So, primarily, we are going to focus on our number one raw material, the expensive raw material, which is leather. As of now, we have been fairly successful and that also shows in our gross profit improvement in the H1 of this year. We continue to source, but we have to be extremely careful not to kind of compromise on the quality. So, that is a long drawn process. A lot of Indian tanneries do not have the capabilities. So, we are getting in Italian expertise and going about in an organic manner, but we remain very confident that it will be localized to almost 70%-80% in the next one year.
- Khwaish Jain:** Okay. So, could you please throw some light on what would be the impact on material costs and margins after localization?
- Sunil Suresh:** Yes, I think we should be looking at a saving of roughly between 20%-25% once we localize completely. As of now, we are having a benefit of about close to 15% on the BOM because leather is a significant purchase item and it's almost 50% of our BOM.
- Khwaish Jain:** One last question that you have mentioned that the model has been shifted to cash and carry, but the receivables haven't shown a meaningful decline. So, could you clarify what explains this trend?
- Sunil Suresh:** So, our model has for the branded business of furniture, it's always been cash and carry. There was one particular trading item where we were giving credit, that now we have changed to cash and carry and we are seeing a meaningful increase in that going steadily, but we are still maintaining the cash and carry policy as of now.
- Khwaish Jain:** Okay. Thank you so much.
- Moderator:** Thank you. Next question is from Darshil from Crown Capital. Please go ahead.
- Darshil:** Hello. Good evening, sir. Thank you so much for taking my question. So, sir, I just wanted to understand in terms of growth this year, where do we see ourselves and like what is the guidance that you would like to give for growth for the current year?
- Sunil Suresh:** So, basically, as I mentioned in my previous answer that we have done certain plumbing changes and for that we are seeing witnessing a robust growth in our gross profit, our EBITDA, including our PAT. So, these corrections have been done. Yes, there have been certain global headwinds and there have been delays in project handovers, but we remain confident that we will meaningfully grow going forward.

Darshil: Fair enough, sir. One more question was towards our topline because if we can see from the last three years, we are somewhat in a range of like 400 crores. So, just wanted to add even in the first half, we are in the similar run rate. So, just wanted to get your opinion that while we have done fantastic on our bottom line and cost control, but how will our topline also increase? Like, what are the levers that we can push forward for topline increase, and we have like double digit 15%-20% growth coming forward here?

Sunil Suresh: So, if you look at the last three years carefully, you'll understand that we have shifted our model more towards the COCO business in the major metros. That is the most important changeover. And also our COCO business is significantly grown, even this H1 by almost 23%. So, that is where the real change is coming. So, that is exactly what we want to do. We want to focus on a Manu retail COCO brand business and that is how we are kind of looking at growing our business going forward. And with the kind of money that we have raised and meaningful investment into new stores, mostly COCO stores, we believe that we will significantly grow and our target of INR 1,000 crores in three years remains very intact.

Darshil: Okay. That remains intact. Fair enough, sir. I just wanted to know, like, in terms of perfume industry, while you've explained what all we are doing, but will it have a lot of branding cost, because, like the existing players we will be computing with the high level brands and everything. So, we will have to build our own brands. So, how do we look at that? So, what kind of investment will we have to do? Will we be burning some money out there or I think in perfume has really good margins, but what is the investment, like, we are looking for? So, will it break even in the first year of sales or, just some more, a roadmap for how we expect the, perfume business to perform?

J. K. Sharath: Yes. At this moment, as I mentioned, we have taken this as a small extension in our brand. We are only selling it, piloting it in our Stanley level next stores. And the results have been very good. The margins are extremely high. But also, we will not be investing in marketing or anything of such in the past or 1 or 2 years. We will normally be using these kind of products to do a lot of gifting to our high-end customers, gifting to architects and interior designers as a touch point. So, there is no major, what you call as investment, significant investment that's going to go. It is just a piloting that we have done. And I don't see any kind of a bandwidth dilution. In fact, there's a, I would say there's a fabulous brand extension that happens with products like this.

Darshil: Okay. Fair enough, sir. And this last question from my side. So, over the next 1-2 years, because we know we are opening a lot of stores. So, what kind of like CAPEX are we investing like this year and next year, if we could bifurcate the CAPEX that we are planning to do so.

Sunil Suresh: I think we will remain very much in line with the prospectus. We don't see any major requirement coming in terms of CAPEX. We have managed our funding very well. And we are going to do very meaningfully. Again, we are not going to come under pressure just to kind of open stores. We have to get the right locations, the right real estate. We are very fussy about these kind of

things, because when you are positioning and creating a luxury brand, these are very important aspects. So, I think we will stick to what we have in the prospectus.

Darshil: So, if I remember correctly, it was around 140 crores, right? Like what we had aimed for, that is the plan, right sir?

Sunil Suresh: Yes, we are very much in line with that.

Darshil: Okay, fair enough, sir. I will get back in line, sir.

Sunil Suresh: Thank you.

Moderator: Thank you. Next question is from Madhu Rath from Counter Cyclical Investments. Please go ahead.

Madhur Rath: Sir, so the Stanley brand is owned by the company or the promoters?

Sunil Suresh: The Company.

Madhur Rath: Right, sir. And so in the consolidated balance sheet, I can see that intangible assets have increased from 5.3 crores in March '25 to INR 42 crores in September '25?

J. K. Sharath: Yes, so this is basically the brand which was acquired from the promoters. They were sitting under a capital work in progress because the transfer of the IP has now happened in the Company's name through the normal root process, it is capitalized and it has gone as intangible asset.

Madhur Rath: So, basically, how much have we paid to acquire that perfume brand from the promoters?

J. K. Sharath: This was done before, not in the current period. Before the IPO, they had paid INR 37.5 crores and acquired all the Stanley brand. And this was pending to be approved by the agency of transfer to the Company name. This happened during the current H1 and they have capitalized that as part of intangible assets.

Madhur Rath: Right, sir. Now, going forward, I wanted to understand that what is our price positioning, let's say vis-à-vis an IKEA. So are we pricing our products at par at premium or discount to them?

Sunil Suresh: No. IKEA is way lower. We don't play in that segment at all. In fact, we start much higher. They play in what is known as a value and mass segment. We start with a value premium, then we have premium and we have luxury.

Madhur Rath: Right. And how much is the average CAPEX that it takes us to set up a new greenfield store?

- Sunil Suresh:** So it depends on the three different formats. The luxury format can take anywhere between 7 crores to 10 crores. The premium format will take between 3 crores to 5 crores, and the value premium can take anywhere between 1.5 crores to 2 crores.
- Madhur Rath:** And once we open the store, how many months or years does it take for a new greenfield store to typically break even?
- Sunil Suresh:** So we follow a breakeven within the first six months and then a complete ROI within the 24 to 30 months' maximum.
- Madhur Rath:** Right. So as of now, are all our 19 stores profitable?
- Sunil Suresh:** As of now, all our stores are profitable.
- Madhur Rath:** Okay, that's great. So going forward, sir, now this INR 1,000 crore that you alluded to, sir, by when do you realistically foresee us reaching that number?
- Sunil Suresh:** We have been very clear that we will take a thousand working days. So you can say almost between 3.5 years to 4 years from the date of IPO. So when you look at thousand working days, that is the target we have. And I think we will definitely reach that in the next whatever within the next 3 years.
- Madhur Rath:** Okay, great. Thanks a lot. And so what kind of CAPEX are we looking at to reach there?
- Sunil Suresh:** We have adequate funds. We will not need any funds because now the age and maturity of the stores has started. So like I have been telling you that when we start a new store, it gives only about 50% to 60% of its true potential in the first year, goes up to about 60%-70% percent the second year. So in the third year, it reaches about 80% to 90%. And normally around the fourth year is when it is fully matured. So when you look at our new stores, we are starting the aging process. So I think we will not require any more funds to get to our target.
- Madhur Rath:** Got it. Thank you so much and all the best.
- Moderator:** Thank you. Next question is from Sumit, an investor. Please go ahead.
- Sumit:** Hi, sir, I have a few doubts. First, regarding the INR 1,000 crore revenue target, which you have given for your time from 3.5 years to 4 years. So you have a timeline like this is more of you have to reach that target, but in past 3 years, you haven't been growing, not even a double digit growth in your revenue number. So how are you thinking of reaching that INR 400 crores to INR 440 crores revenue to INR 1,000 crores in coming 2 years to 2.5 years?
- Sunil Suresh:** So, again, I am repeating myself so that I have a lot of clarity. I repeated this a little while ago. You must see what is happening in terms of how we are growing. For last 3 years, we have been very steadfast and acquiring our FOFO partners. And we have today COCO stores in the top six

metros of India. So our store count was barely 20-25 three years ago. Today, we have expanded to almost 72 stores. So this is what it is. So essentially, there has been a shift in our business. Our COCO has grown even H1. This year, we have grown by almost 23%. So that is the shift that is happening. And once you realize that the shift is more towards Manu-retail COCO business and the format, what we have changed from loose furniture to complete home solution, it is a very clear trajectory that we are chasing and we will reach the numbers. I hope I am able to convince you.

Sumit: I am okay with this answer. Second, the marketing spends. So, I've been tracking your company and I've been reading a lot of newspapers on a daily basis. So I see your ad, like for the sale ad, like it's coming for the past 2 to 3 months, like in Business Standard somewhere, sometime in some other newspaper. So when is this sale period going on and how much did you spend on this marketing?

Sunil Suresh: So, very interestingly our marketing spends throughout our journey for the last 10-15 years, being a profitable Company, has always remained in a single digit. We have never exceeded a single digit. So our customer acquisition cost has been very well controlled. As you rightly said, normally in the festive season period between September and December, we always go on what I call as a sale. But those sales are technically for floor stocks that are there and they are always refurbished with new products. That's how we generate footfall into our stores.

Sumit: So this sale is only for the boutique one or the Sofas & More, which you are telling?

Sunil Suresh: No, this is for all the three formats. Usually we do lot of promotion nationally when we go on a sale. For "Sofas & More", we do not do nationally because it is more strong in the south. We go on a sale at least 4 times a year. But for Stanley, we normally go season and off-season. We go for a sale between September and November and then again between February and March.

Sumit: Okay. And so one more thing, like in your website, whenever we see a product, we don't see the pricing of that product. So how does the customer know that this product is on sale or it is not on sale? Like how can one distinguish between them?

Sunil Suresh: Yes, so normally we don't have a price tag policy because everything is customizable. In the Stanley Level Next, almost 85% of the business we do is custom-made as per customer requirements in terms of colors, different configurations of products, so on and so forth. In Stanley Boutique, it's about 70%. In Sofas & More, we have a price tag on the product. That is about 50% customization and 50% off-the-floor sales. So we are not a typical, what we can call as a trader-retailer, who actually imports something and puts a tag on it. We are a bespoke manufacturing brand. So people come in, touch, feel, understand, and then they select whatever color, whatever configuration they want. It is not compulsory that they have to buy what they see. Because we can customize, they can deliver to them in between 6 to 8 weeks. That's the specialty of our Company.

- Sumit:** Okay, perfect. Sir, last question regarding the margin. I joined late to the call. I just wanted to know what is the reason why the margin bumped up so high? And what was the localization rate in leather and everything?
- Sunil Suresh:** I think like I mentioned to you post our listing last year in June, we have undergone a lot of small plumbing changes. We have more efficiencies that we have introduced. We are technologically upgrading ourselves. We have Sales force and we have SAP HANA being introduced in our Company. That's a work in progress that will complete by this yearend. And due to all these changes and also the localization, we have definitely seen a very good improvement in our EBITDA, as well as our gross profits, as well as our PAT.
- Sumit:** Okay, sir. In this Q2, you opened a lot of stores. Because of that only, you are saying that the INR 6.3 crores is the kind of the increment in the leasing cost and everything. So you are saying that this kind of momentum of opening of stores, this will continue for this H2 of FY'26 also?
- J. K. Sharath:** No, so we plan to open about 15 stores in all in the current year, '25-'26. Out of that, we have already opened 8 or 9 stores. But what happens is, like we have already made an announcement, we have started a new format under Stanley brand called Superlative, which are large-form stores. This is about 1 lakh square feet of space, which we have taken in Hyderabad. And as we speak, the work is under progress and the interiors are being done. Because we have already taken the lease and the agreement is already signed, you will see that impact coming because of IndAS in the amortization section. That's why that impact we have in the amortization section.
- Sumit:** Thank you so much, sir. All the best for the coming future.
- J. K. Sharath:** Thank you.
- Moderator:** Thank you. Next question is from Arvind Arora from A Square Capital. Please go ahead.
- Arvind Arora:** Sir, like venturing into a perfume vertical is a strategic decision, what I understood from you. Is it like a margin accretive and what would be the revenue that we are targeting through this vertical?
- Sunil Suresh:** So basically, like I was mentioning earlier, this is a product that we have introduced as a brand extension with a very small capital infusion. And it's a high margin business. We are just piloting it. It's in a very early stage and we will not have any major time or money spent on this. We are piloting it in our own stores. And it's just a pure brand extension into the what is known as the not the usual deodorant or cologne market. It is called as UD perfumes. These are expensive perfumes starting at about 7,000-8,000 going up to almost 20,000. These are being piloted in our stores. There has already been a small and steady, development. So we are just piloting it. It's too early stage. And I don't think we are going to rush into anything right now. It's a product extension. We use it as a gifting to our high net worth individuals. We use it as a gifting to our architects and interior designers.

- Arvind Arora:** Then how we are planning to sell it at stores or we can sell it online as well?
- Sunil Suresh:** No, at the moment, we are only selling it on our stores. And like I said, it's a touch and feel. We have 24 different aromas that we have created. Everything is being created by a French master who is a decorated person who does high quality perfumery. So we are just about entering this. Hopefully, like you said, in the future, we will make it a standalone brand. But until that, it is just being sold only through our stores.
- Arvind Arora:** Is there any other product that you are keeping an eye to launch in like perfume?
- Sunil Suresh:** We have men's shoes also we have started. That is also been there for a while now. That also has passed the proof of concept. It's a highly profitable business. See what happens is in the furniture business, normally where we are positioned in the premium and luxury segment, our customer base is almost 45-year-old people. We don't have any youngsters touching our brand and our products. So to get a little younger people between 30 and 45, we have decided to go into the perfume and personal goods such as shoes and belts.
- Arvind Arora:** Very good initiative, sir. And recently you announced that there is a reduction in pricing due to festival. So will this impact our margin going forward in Quarter 3?
- Sunil Suresh:** No, but if you really look at it, we have improved our margin significantly. And I think that is because we had the benefits and we are continuing to work on making sure that our bottom lines are always expanding.
- Arvind Arora:** So sir, this discount we announced after 23rd September. So technically that will fall from Quarter 3, correct? Is my understanding correct?
- J. K. Sharath:** Not really. We already have some portion of those orders coming in the Q2. And we also have visibility on how order taking happens. We don't see any impact of the price reduction happening on our margins.
- Arvind Arora:** So then is it like our volume is increasing due to discount? What I understood is that we are a premium brand, when customers come to us, they do not look at price. They need their products as per their wish. So I think how this reduction in price will help us to get more customers or something like that?
- Sunil Suresh:** Sorry, we didn't get your question. Can you repeat again, please?
- Arvind Arora:** So I am saying that we are selling as a brand, correct? And then like in luxury product, when customers come to us, they need a product. So discounting of 2%-5% will not save their pocket. Correct? So then how this festival discount will help us in achieving the volume?
- Sunil Suresh:** Basically, you see what happens, there are a lot of value seekers who basically want to come to acquire a branded product. So we drive that footfall into our store.

- Arvind Arora:** So is there any offtake due to that, sir?
- Sunil Suresh:** Basically, what really happens is with our offers that we go on an annual basis, we get our volumes because the number of stores are also increasing now. So we get more volumes that will give us more benefits in our manufacturing and efficiency improvement. So right now, we are at the tipping point. We don't have the actual. But with the volumes increasing, I think our margins also will definitely increase. So that is how we look at this. And, further with the localization, we are able to also get a higher margin. Hope I've answered you.
- Arvind Arora:** Yes, understood.
- Moderator:** Thank you. Next question is from Devanshu Bansal from Emkay Global. Please go ahead.
- Devanshu Bansal:** Hi, thanks and congratulations on a good margin performance. Sir, I specifically wanted to check on this 1 lakh square feet space that you talked about in Hyderabad. So what exactly are we sort of doing there? Because it is like, in my opinion, almost 25%-30% of our overall retail space. So do you foresee that revenues also at a mature level would be to discount from this space?
- Sunil Suresh:** So basically these are larger format hybrid stores in markets where we have been present for more than a decade. We understand the consumption. We understand the level of luxury housing coming in these markets and to gain better traction we are taking these long-term rental properties and opening large format stores offering our premium as well as our luxury format. So it becomes a compulsive place for homemakers to come to shop and we give a very good experience. We have the first one in Bangalore. And this is the second one that we are opening in Hyderabad.
- Devanshu Bansal:** Sir, that's fair, but still 1 lakh square feet is a huge number, right? So our typical store size is 10,000, right? So I want to, why I am checking this is, do you see that the market potential itself is such that this can sort of consume such kind of a store? And typically our model also is not so much inventory led, at least in Level Next. And it is more curated, more bespoke kind of work that we do for our clients. So typically, your thought process around inventory stocking at such stores and the revenue throughput that you are targeting. So I wanted to sort of check on that.
- Sunil Suresh:** So 1 lakh square feet is actually the super built area. The effective carpet area will be almost about 60,000 square feet to 65,000 square feet where we have almost six floors, which are dedicated to various segments of housing. So we have in the premium, we have further broken down. So we are giving a customer a complete home experience. And like I said, they become a very compulsive. This is also something that we have already done the proof of concept in Bangalore. We have two large stores here. We understood that furniture is a once in a 10-year kind of a purchase and customer likes to see a large choice. They move around in the market. So with our experience and our proof of concept, we are doing this. We have similar plans for cities like Delhi and Mumbai also, only in the major cities of Bangalore, Hyderabad, Mumbai and Delhi, where we have a vision that in terms of they have a visibility of a lot of high end inventory

of housing coming in, we want to come up with this superlative format, which is a hybrid of thoughts, you can call it.

Devanshu Bansal: Very encouraging. And lastly, from Bangalore perspective, what's the throughput that such stores typically sort of command? Is it like more INR 50 crore plus annual throughput such stores?

Sunil Suresh: Yes, the first store we opened, though it was not completely moved into this, we opened in 2017. That is also roughly one lakh square feet of a super built area. And those days we were mostly what you call as a loose furniture brand. Only after 2021-2022, we started moving towards full home solution. This store easily gives about INR 50 crores of throughput. The Hyderabad store, our target is to reach a much higher number going forward.

Devanshu Bansal: And typically, what is the time duration these stores take to get mature, sir? Because that 2017 and 2025, typically, is it like 6-7 years of gestation that is there or it can be earlier?

Sunil Suresh: No, the formula will remain the same, whether it is 5,000 square feet or 50,000 square feet. Our formula is to start breaking even within the first six months, ROI maximum of 30 months, not more than that.

Devanshu Bansal: Okay. And by when are Delhi and Mumbai, these large format stores are expected to open? Have we signed on the property?

Sunil Suresh: Though an amazing market, and a lot of premium and luxury housing is coming up, unfortunately, we are not getting desired real estate, especially in cities like Mumbai. Unfortunately, the rental expectations are extremely high. So we are a little shy. We will not just rush into it. We are negotiating for built-to-suit properties. It might take a little longer, but we will make meaningful investments.

Devanshu Bansal: Very encouraging, sir. Last question from my end, from a growth perspective. This year, obviously, in H1, it has been slightly muted. So for full year, as in what's your outlook? Maybe if you can share both on revenue and margin front? That will be my last question.

Sunil Suresh: So the focus remains, like I said, after our IPO, focus remains on what I call structural changes within the system in terms of introduction of very important HR, human resources, as well as important technology in our system. So that has been the focus even this year. But if you see that we are very steadfast in our growth in the COCO format. So that is how we believe that we have to go forward. Also, from the very beginning, I have very clearly communicated to all our investors that, we need to have a little bit of time appetite when we are building a brand that has to play in the premium and luxury market. We cannot rush into it. So we will continuously, definitely grow. But you will see some exponential growth coming from next year because most of the stores have been established and are coming of maturity now.

Devanshu Bansal: Thank you. Thanks for taking my question.

- Sunil Suresh:** Thank you very much.
- Moderator:** Thank you. Next question is from Viresh Sangwan, an investor. Please go ahead.
- Viresh Sangwan:** My question is on the international foray, like the Sri Lanka one. We have partnered with a company called Singer. So can you explain me the dynamics of the partnership and how much, like who will spend the money in the expansion? It's what we are planning. If we will be spending some money and if yes, how much? How will it work?
- Sunil Suresh:** It is a completely cash and carry transaction in terms of a FOFO model. Franchisee-owned and franchisee-operated. Singer is a listed entity with 400 showrooms in Sri Lanka. They are the dominant electro-domestic player. They wanted to get into high-end furniture. That's how they approached us. And we have given them the license for Sri Lanka to represent our brand. We have a manager who will make sure that our brand is well managed. The first store is expected to come up in Q4. We will pilot it for 3 to 6 months. And then with that, we are planning to open between 6 to 8 stores. There will be no cash investments from our side. It will continue to be a cash and carry business.
- Viresh Sangwan:** Okay. And they will be exclusive stores of Stanley, correct?
- Sunil Suresh:** Correct. They will be the exclusive partners. We will not supply to anybody else. And they will be opening what we call as mono brand showrooms and shopping shops in some of their large format stores.
- Viresh Sangwan:** Got it. Thank you. And I heard in one of your interviews, we are also planning something similar in Jakarta and then towards the UAE market. So will those be? Can you just briefly explain what's the plan?
- Sunil Suresh:** So basically our target was originally to go to the Saudi market because cities like Jeddah and Riyadh are expanding very big. And the opportunity for premium and luxury furniture is a great opportunity in those two markets. While Dubai has been there for a long time, but I think it is already slightly overrated and in terms of rentals was not suitable. So we had targeted to go into the Saudi market. But unfortunately, we realized to be present there, we had to have a presence in three countries to go in a COCO format. We don't want to have a local partner there. It's a lot of hindrance. So we decided to start with Sri Lanka and Indonesia, Jakarta, because Jakarta also we have a strong inquiry in the same FOFO format that should materialize in the due course of next few quarters. That's what we are waiting for. Once we have the present, we will plan to go with the COCO format in countries in Saudi Arabia, especially in cities like Riyadh and Jeddah.
- Viresh Sangwan:** Okay, thank you. And my last question would be on the automotive segment, like the seats that we do. Can you explain like how do we reach out to the customer through the OEMs or how do they reach? And why I am asking this is because I do see, if you can correct me, I do see them as prospective customers like having some high-end cars. They can be prospective customers

for our maybe the furniture or the lifestyle goods that we have. So just some insight on that front. And how big is that?

Sunil Suresh:

Thank you for asking this question. It's a very relevant question. The brand started as a custom automotive seating brand almost 30 years ago. Next year in April, we complete 30 years as a Company. So when it started that way, those days we did not have the real luxury cars. We had mostly the premium cars such as Opel Astra, Ford and, Cielo and Maruti 1000 and so on and so forth. Those cars never came with leather seats. So we used to do a lot of customization. We had a dealer network across the country. And that's how Stanley became a Pan India brand. By 1999, we already had about 100 dealers across the whole country from Kashmir to Kanyakumari. So that's how the brand Stanley grew as an automotive custom seating brand. But we realized that when we got into diversified into furniture, we realized that the actual luxury cars started coming in. So the customer started migrating towards the German cars such as BMW, Audi or you know, Volkswagen or whatever. So there the cars already came with seats. So we took entry to through OEM. We became OEM supplier to quite a few companies in the past to Ford, to General Motors, to Mitsubishi. Those companies shut down. Then we had an account opened in Toyota, which we still have. We do almost about 40,000 to 50,000 car seats with Toyota as a tier 2 vendor to them. But our custom automotive business has remained very tight and very small. But today the topography has completely changed. We have very high end car consumers who actually buy new cars with leather seats. But they come to us for further customization because they want a specific color or they want a specific design. So we are still catering to a very HNI clientele in our aftermarket. It's a small business. It generates the aftermarket business of about 7 to 8 crores a year. And it has been very steady. But the beauty is that we are able to interact with very HNI customers who normally become brand ambassadors and also buy furniture from us later on when they need it.

Viresh Sangwan:

Thank you. That's all the questions from my side.

Sunil Suresh:

Thank you.

Moderator:

Thank you. We have a follow up question from Madhur Rath from Counter Cyclical Investments. Please go ahead.

Madhur Rath:

Sir, thank you for the opportunity. Sir, I wanted to understand regarding the gross margin improvement we have seen from closer to 50% 12 quarters back to 60% levels currently. Sir, so the leather localization and other gross margin improvement trends that you had mentioned, till what extent can we expect to improve our gross margin further over the next 2 to 3 years?

J. K. Sharath:

See, currently the improvement has coming because of multiple factors. One is the localization, one of our major raw material, which is the leather, which we are progressing well. And like Sunil mentioned earlier, localization is a long drawn process because we don't have that kind of capabilities and technical expertise in India. So we have got some Italian people to work on it and we are progressing well. Close to 45%-50% we have already localized and we can go up to 70%-80% in localization. The other benefit is coming because of enhanced product mix and also

insourcing of certain manufacturing processes. In the earlier period, we were subcontracting some piece of our manufacturing processes, which we have on a strategic basis bought in-house over a period of time. That is also now giving us the margin benefits. And we believe this should give us another maybe currently we have already got about 12%-15% of benefit in the leather localization. Maybe we can get another 5%-8% further in the leather cost, which we can get the benefit.

Madhur Rathi: Currently, if I consider our raw material cost as 40% of our revenue, how much would be leather as a percentage of total?

J. K. Sharath: 50%. Normally leather is around 50% as a benchmark of the raw material cost, BOM.

Madhur Rathi: Got it. Is it fair to assume that we can expect a further 2%-3% gross margin improvement from the current 60% to 62%-63%?

J. K. Sharath: It will be a slow and steady one, but that is the endeavor for us to reach there.

Madhur Rathi: Got it. Sir, just a final question from me. What was the reason for a shift from this franchisee-owned model in the metro cities to company-owned models? Was it to keep the return that we were given to franchise with us so that whatever growth comes in in the future to benefit from that or was it something else?

Sunil Suresh: Multiple reasons. One is that when you are moving from a premium to a luxury segment, it becomes important that the touch and feel as an experience center, we are able to have it at a very high standard. So we demonstrated that success in Bangalore, our home market over the last 10 years. We grew the cluster very well. So now we wanted to kind of ensure that in the other markets also we are able to expand. Also, the dealers have various other businesses and they are not fully invested in expanding only our business. And what happens is if you have multiple dealers in the same city, there's always a bloodbath for pricing and discounting. So we took this decision that we knew this market, they have the potential. So one by one, we have acquired our franchisees and now we have got our own COCO stores in the top six markets of India.

Madhur Rathi: Sir, so what kind of economic benefit have we received from the same and what is the further benefit can we expect on the margin or revenue front going forward?

Sunil Suresh: Please understand that we are in the process of creating a premium luxury brand. So we will always ensure that we are able to also get a premium luxury bottom-line. That is our endeavor throughout our history. We have a demonstrated track record of almost 12-15 years of profitability. And that is exactly how we want to continue going forward.

Madhur Rathi: Sir, what would be the biggest threat for our company or what would be the biggest threat in scaling of our business? Sir, would it be the cheap, not cheap, but like similar price Chinese products that are being manufactured? Or would it be the architects sourcing their product rather

from Stanley, maybe outside India or from a different dealer? So I am just trying to understand the supply chain and where we can expect growth for ourselves.

Sunil Suresh: No, so these are all challenges, as you rightly mentioned. There is a lot of finished product being imported from all over, from Europe, from Dubai, from China. So this is definitely a challenge, no doubt about it. But we are expecting the COCO to cover the finished product. Hopefully that will give us a stronger moat. But otherwise also, I think our moat has always been customization and furniture being a product that people enjoy for years to come, maybe even decades to come, they need an after-sales service. So a trader can bring in anything from anywhere, but they will not be able to give a service. So as an established 30-year-old brand in India, being a Pan-India brand, we have a different mindset of customers who want to value us because they believe that we give them an after-sales service. So we have our own moat, customization being one of it, which is a very important thing. We are not typical trader retailers. So that is what we have built. And I don't think it is extremely easy for someone to start tomorrow and catch up with what we have done over the years.

Madhur Rathi: Got it. Sir, would a majority of customers be direct customers?

Sunil Suresh: You are right. At the moment, I think largely we are getting, because of our prominent brand visibility and brand also having catered to 100,000 customers over the last three decades, we have a lot of goodwill that happens from word of mouth. So largely 80% of our business still comes from, probably even larger, comes directly from B2C. But now we are introducing a strong business development team starting next year. So eventually we will also be attracting a lot of good talent in terms of architecture, interior designers coming into our foray.

Moderator: Thank you. In the interest of time, that was the last question for the day. I would hand over the call to management for closing comments.

Sunil Suresh: Thank you, everyone, for joining the call today. I would like to conclude by reiterating our confidence that we are making strategic investments that we believe will drive sustainable and long term growth for the Company. Thank you once again for your time, patience and the insightful questions during today's discussion. For any further queries, please reach out to our investor relation partner, Adfactors, who will be happy to assist you. Thank you very much.

Moderator: On behalf of Emkay Global Financial Services Limited, that concludes this conference call. Thank you for joining us. You may now disconnect the line.