



**“Sai Silks Kalamandir Limited Q2 FY '25 Earnings  
Conference Call”  
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**MODERATOR: MR. JAY GANDHI – HDFC SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY '24 Earnings Call for Sai Silks Kalamandir Limited, hosted by HDFC Securities.

As a reminder, all participants' 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 "\*", then "0" on your touch tone phone. Please note that this conference call is being recorded.

I now hand the conference over to Mr. Jay Gandhi from HDFC Securities. Thank you and over to you, sir.

**Jay Gandhi:** Good morning. This is Jay Gandhi from HDFC Securities.

Welcome to Sai Silks Kalamandir Limited Q2 FY '25 Earnings Call. From the Management today we have Mr. Bharadwaj BR – Senior Vice President; and Mr. K.V.L.N. Sarma – Chief Financial Officer.

I now hand over the call to Mr. Bharadwaj for his "Opening Remarks". Over to you, Bharadwaj.

**Bharadwaj Rachamadugu:** Thank you, Jay. Good morning, ladies and gentlemen. Thank you for joining us today to discuss Sai Silks Kalamandir Limited's results for 2Q FY '24 and H1 FY '24.

I wish you and your family Season's Greetings, and also a very Happy Diwali. I presume that everybody has got a chance to review the Financial Results and Investor Presentation uploaded yesterday on the Company Website as well as on the Stock Exchanges.

To primarily start off with, let me start off giving you with what happened in the ethnic retail market scenario for 2Q:

So, in this quarter, we have seen a market recovery happening compared to the last quarter of Q1. Despite the factors such as the bad monsoon in one of our core markets and fewer wedding dates even in the second quarter, which has caused a slight slowdown. But the overall festivity mood gained momentum and traction, largely driven by pre-festive and wedding season preparations.

In this quarter, our company did a revenue of about Rs. 347 crores compared to the last year of Rs. 326 crores, which is a growth of about 6.25%. Our gross margin in this quarter also grew by about 51 basis points to 42.17% compared to last year's 41.6% and our PBT levels of the quarter significantly grew compared to the last quarter and our PAT levels grew by 1.7%.

So, in this quarter, on the operations front, we have opened about 16,000 square feet of retail space, adding two new Varamahalakshmi Silks stores, and that takes our total retail area close to 6.7 lakh square feet. Our retail stores are now present in about 17 cities and four states, and

as of 2Q we have about 63 stores, and all of these stores are company-owned company-operated stores. We continuously strive to open more of our newer stores in the regions, carefully assessing the demand of the customers in terms of the consumption in the upcoming quarters to come.

In this quarter, we have also taken a major leap towards reducing our offline advertisement activities and increasing spends on our digital advertisement. Creating quality content to engage customers and promoting our brands through social media has been one of the key initiatives for this quarter. We will continue to focus on this strategy to perform targeted campaigns focusing on quality reach to our customers specific to each and every location.

Also, in this quarter, we have further taken active efforts to customize our softwares even more across various modules to help analyze the data better. That is helping us derive great patterns in terms of understanding our customers better. This is something that we have been developing over the last decade and we will continuously strive to do more in this space.

Understanding consumer preferences has been one of the key focus area that we believe in. as the company's growth, always strives upon it. we have made couple of stores' renovations to prepare for the upcoming wedding season. As we have entered Quarter 3, and as per the wedding calendar, majority of the wedding dates fall in H2.

We are fully prepared with our product mix to cater to the rest of the year's wedding calendar and considering how the wedding dates are panning out, which happens to be the major impact on the growth of a company, we are very optimistic that the growth of the company in the next quarters to come will reach new milestones to become India's biggest women's ethnic wear brand retailer, Sai Silks Kalamandir.

Now, I would like to hand it over to the operator and we would be open to answer any questions. Thanks.

**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. Our first question is from the line of Ruchil from PINC Wealth. Please go ahead.

**Ruchil:** Sir, my question is that, over the past three to four quarters, if we see we have been growing due to the new store additions. But the concern is that we have been degrowing in the existing stores, that is SSG has been negative. So, going forward, do we see that are we going to maintain the SSG growth or still we are struggling in that area?

**Bharadwaj Rachamadugu:** So, Ruchil, if you see, especially in the last quarter and the previous quarter, we have had some issues with the overall market consumption. And I would like to highlight that one of the key factors that our business always depends on is the number of wedding dates. So, unfortunately, that has not been much in our favor. So, now that with second quarter coming to an end, and

from where we see third quarter onwards, currently from October 1st onwards once after that Pitra Paksh movement is done, so the wedding along with the festivities club together has picked up. So, from here on, I don't think with respect to the wedding day calendar wise, won't have any problem for us. And that's the reason why we are very hopeful that the SSG levels will be positive moving forward. Especially if you see Q1 versus Q2 also we have recovered majority from our loss in SSSGs. Than SSSGs that we have had in Q1, and Q2 it was marginally lower in terms of negative SSSGs. But from this quarter onwards we should be able to see a continuous period where the momentum will kick up a notch.

As a matter of fact, I think we have a close watch on overall SSGs. And one of the initiatives in 2Q, as I did mention in terms of overall advertisement also has been tailored and curated marketing spends and surprisingly, this has been delivering very good results and very good traction in the overall branding space. So, we have done this experiment with few of our collective stores in couple of our Tier-2 and Tier-3 locations, and has yielded better results. So, we will continuously focus on this strategy moving forward to bring up the stores which are lagging in terms of the SSGs.

**Ruchil:** And sir, how has the trend been, like since we have already crossed October, so how are you seeing the demand momentum for the wedding season?

**Bharadwaj Rachamadugu:** Ruchil, I am so sorry, I think your voice is breaking out. I am not able to clearly understand what the question is.

**Ruchil:** Sir, my question is that, how has the demand trend been in October? Since we have already crossed October, you are seeing the demand in October and going forward?

**Bharadwaj Rachamadugu:** So, still your voice is not clear, but I will try to understand your question. Your question is about demand in October. So, October has been good, especially if you see the calendar compared to last year and this year, Pitra Paksh calendar which is supposed to be the inauspicious period last year started from September 29th and went until October 15th or so. But this year, if you see, ended by September itself, so October onwards, both Dussehra festivity mood and Diwali festivity mood has kicked up. So, definitely we are very happy with the kind of results that we have got in October and in November also, we have the wedding calendar is kicking in, so we are very optimistic that if this trend continues we will continue to do better like how we did in October. So, as of now, October was a very good positive trend that we had in all our stores and SSSG's have also been positive, much, much higher than what we anticipated as a matter of fact.

**Moderator:** Thank you. Our next question is from the line of Dhairya Trivedi from DJT Investments. Please go ahead.

**Dhairya Trivedi:** Sir, what is the sales per square feet across formats and how is it trending compared to last year?

- K.V.L.N. Sarma:** The H1 figures are not an indicative because we had a bad first quarter this year,. But sales per square feet in various formats, on an annualized basis, we are expecting would be in the range of, in respect of, Varamahalakshmi it should be in the range of anywhere between Rs. 42,000 to Rs. 45,000 andnd KLM would be in the range of about Rs. 12,000 or so, and KMR should be in the range of about Rs. 19,000 to Rs. 20,000.
- Dhairya Trivedi:** Is this for Q2, sir?
- K.V.L.N. Sarma:** Yes, Q2 also and we are annualizing that, expecting that the second half would be better, I mean, obviously in the normal course also second half will be better than first half. So, taking that aspect and on an annualized basis, these are the figures.
- Dhairya Trivedi:** And sir, how is it trending compared to last year in terms of the growth?
- K.V.L.N. Sarma:** Growth would be mainly coming in respect of Varamahalakshmi, because the premiumization is taking place in and one or two A Grade stores are coming up like Madurai, etc.,. KLM and Kalamandir will continue to be at or same as last year.
- Dhairya Trivedi:** And sir, what will be the store level EBITDA margins for Varamahalakshmi?
- K.V.L.N. Sarma:** Store level EBITDA for Varamahalakshmi will be in the range of about 32% to 34%.
- Dhairya Trivedi:** This is EBITDA margin, right?
- K.V.L.N. Sarma:** Store level.
- Dhairya Trivedi:** Store level margins, right?
- K.V.L.N. Sarma:** Store level margins, yes.
- Dhairya Trivedi:** And how would they compare to other formats?
- K.V.L.N. Sarma:** Other format, I mean, KLM would be the least perhaps. KLM would be in the range of about 23% to 24%. So, the range between KLM and Varamahalakshmi would range between 24% to 33%.
- Dhairya Trivedi:** And sir, what is the square feet addition that we are looking at for the rest of the year?
- K.V.L.N. Sarma:** Rest of the year we are planning at the rate of Rs. 25,000 square feet per quarter. as you are aware in H1 we have added about Rs. 23,000 and odd and for Q3 and Q4, we are planning at the rate of Rs. 25,000 plus/minus each, that should be in the range of Rs. 45,000 to Rs. 50,000 per square feet henceforth.

- Dhairya Trivedi:** And all these stores would be in the Varamahalakshmi format, right?
- K.V.L.N. Sarma:** Correct.
- Dhairya Trivedi:** So, which means that we are looking to add about six new stores at an average of 8,000 square feet per store for the rest of the year.
- K.V.L.N. Sarma:** It will be anywhere between six to eight stores.
- Dhairya Trivedi:** Right. So, which makes it roughly 69 stores for the year, I mean, FY '25 closing. And if I remember correctly, you have given guidance of 100 stores for FY '26 closing, have they come for revision?
- K.V.L.N. Sarma:** No. That number is on an average of 5,000 square feet per store that we have worked out. But in Tamil Nadu when we are going into B Towns, C Towns etc., we will be having only one store and that store cannot be smaller one. So, the average has picked up to approximately plus/minus 7,000 square feet. So, that's why the number of stores may slightly vary. We have stated that the 25 stores of Varamahalakshmi at an average of 5,000 square feet per store, that is we were to add 1,25,000 square feet on Varamahalakshmi, which will be delivered. No of stores may accordingly vary but the expansion in terms of sft area will remain
- Bharadwaj Rachamadugu:** A quick point to add here is, so though we started talking about the number of stores, the square feet average is now changing because Tier-1, Tier-2, Tier-3 have a different product mix. And when we did this analysis with respect to the core markets vs Tamil Nadu market, in some of the markets it makes sense for us to open a little bit higher square feet stores, around 1,000, 1,500 square feet more for the store, in tier 2 ,and the product mix also is much different compared to what we have in our core markets of AP and Telangana. So, with that in mind, now we have changed, I mean, the square feet addition of per store to a little bit higher. So, that's the math behind it. Otherwise, our guidance has always been in terms of looking at in terms of square feet addition rather than in number of stores.
- And if you see our last H1 performance, I mean, the current H1 what we have just completed, we have opened around 23,000 square feet. But there has been a little bit of delay in terms of opening the stores. Majority of this delay is coming on account of that H1 being a slow season, a slow half of the year, not having much of a wedding calendar. We believe that Q3 and Q4 is where the peak momentum will kick in and we have provisioned our store openings in that manner only.
- And one other interesting thing that we go by is that, we as a company believe that customer experience stands at the top of what we offer. So, if you see our stores, the entire Varamahalakshmi store has a completely different ambience, different vibe. Replicating that in each and every store is of our prime importance, because nowadays the generation is looking for

more than just a product, they are trying to look at more of an experience buying rather than just a product buying. So, though it looks a little bit on the slower side, I think we are carefully estimating and not trying to cut corners in terms of the kind of customer experience we wanted to give in these stores.

**Dhairya Trivedi:** And sir, are we looking to add any other stores in different formats in FY '26? Because I believe FY '25 will all be Varamahalakshmi, the expansion. But in FY '26 are we looking at say Kalamandir also in terms of store expansion?

**Bharadwaj Rachamadugu:** So, as of now, we do not have any provision for Kalamandir stores, but majority of it will come from Varamahalakshmi, maybe one or two stores in the provision we are looking at in two active areas. So, the majority right now is driven by Varamahalakshmi, but I would still say two stores around will be from Kalamandir format as well.

**Dhairya Trivedi:** Okay, this is for next year, right, FY '26?

**Bharadwaj Rachamadugu:** Correct.

**Dhairya Trivedi:** And any qualitative guidance for full year FY '25 in terms of revenues and overall EBITDA, the absolute EBITDA number?

**Bharadwaj Rachamadugu:** So, we think like let's proceed with Quarter 3, so we do not want to give any guidance per say right now. As of now, looking at how H1 has panned out and how H2 is there, we are very optimistic. And since that it happened to be where H1 had negligible wedding dates, and everything is falling into H2. It would be a little bit of inaccurate for me to put this number out there. Probably by end of Q3 we will have a much more meaningful sense and probably that will be the right time for me to give you better guidance.

**Dhairya Trivedi:** And sir, last couple of questions. I mean, taking on the point of negligible wedding dates, so I remember you saying that in Q2 of this year we had 10 wedding dates compared to in Q2 of last year. But I mean that is not reflected in the additional sales. I mean, we have just probably done about 5%, 6% additional sales compared to Q2 of last year. So, what would you attribute that to? I mean, despite having 10 wedding dates, our sales growth was quite negligible.

**Bharadwaj Rachamadugu:** So, if you see the wedding dates, how they have panned out in the entire quarter, majority of these dates around eight dates were there. And most of them, I think almost everything was in the month of July. So, generally as per how the pattern of sale happens, people generally come and buy at least two to three weeks in prior. So, that's how the spending and the wedding purchases actually happens. So, the month of July, we still did better, but in the month of August and September there was a little bit of slowdown because there has not been any wedding dates and on top of it, Pitru Paksh compared from last year to this year, Pitru Paksh which is the Shradh period, last year it was in Q3, this time it came in Q2 only. So, there has been a small slight delay

because of that. People tend to believe that this is an inauspicious period time to buy. However, there has been some momentum because of the festivity calendar kicking in, we were able to recover much of that.

**Dhairya Trivedi:** And sir, what will be the number of wedding dates in Q3 of this year compared to last year, the additional wedding dates?

**Bharadwaj Rachamadugu:** The additional wedding dates compared to last year will be around seven wedding dates in Q3, and in Q4 we have about nine wedding dates. So, total 16 extra dates is what we are expecting in Q3 and Q4.

**Dhairya Trivedi:** And one last question. So, FY '26, roughly we will be looking to close that 8 lakhs odd square feet, right, is my assessment correct?

**Bharadwaj Rachamadugu:** Yes, the target is that we would be adding close to 50,000 right now, so it will be around 7.3. Yes, I think close to 8 lakhs will be the overall guidance that we would ideally want to add.

**Moderator:** Thank you. Our next question is from the line of Ashish from InvestQ. Please go ahead.

**Ashish:** Yes, just a couple of things. Sir, if you could give the number of SSG for H1 and FY '24, that would be helpful, overall basis.

**Bharadwaj Rachamadugu:** You were not audible, could you repeat the question once again?

**Ashish:** Yes. What I wanted is the SSG numbers for the company as a whole for H1 and for FY '24.

**K.V.L.N. Sarma:** H1, as you are aware, the first quarter we had a negative of 20, minus-20 was there in SSG for Q1. Q2 we have improved, and overall if you take for H1 it was approximately minus-6.5 and H2, we are expected to recover the SSG, in fact recover from the negative of the H1 also. I am hoping that for the year end we should be at least 1% or 2% positive on SSGs.

**Ashish:** Sir, is it possible to include these figures which are, I mean, just anecdote for us to track in the presentation that you generally publish, it will be helpful actually.

**K.V.L.N. Sarma:** We will try to include from this quarter.

**Ashish:** Yes, some basic numbers. We do have numbers in detail, but still it will be helpful.

**K.V.L.N. Sarma:** Definitely.

**Ashish:** And secondly, the tax rate looks higher for this quarter, so what's the reason? And secondly, what's it going to be for the full year this year?



**K.V.L.N. Sarma:** It is not the tax rate. If you have seen, there was a tax raid on the company in May '23. Though there was no major issues pointed out. As a practice they will do the reassessments for a period of six years. So, out of that, for the three years reassessment we had accepted an additional tax liability of Rs. 4.8 crores, which was taken into this quarter's books. So, the tax rate that is appearing or the tax component that is appearing there includes this tax of previous years that is agreed and perhaps we would be liable for another similar amount going ahead when the other three years' assessments are also taken up. Otherwise, the tax rate will remain same.. We have given it as a note in our declaration of results also.

**Moderator:** Thank you. Our next question is from the line of Manas, who is an individual investor. Please go ahead.

**Manas:** Sir, my question is regarding what are the peak margins we can do in this wedding season?

**Bharadwaj Rachamadugu:** Sorry Manas, what was the peak?

**Manas:** Peak margins.

**Bharadwaj Rachamadugu:** So, in terms of the overall margins, I think we will continuously keep the same margin levels. There's a scope of margin improvement by about at least 1% or 100 basis points. So, this is what we are basing on. Considering that wedding season is kicking in, I think we should be able to deliver that.

**Moderator:** Thank you. Our next question is from the line of Akshat Bairathi from RSPN Ventures. Please go ahead.

**Akshat Bairathi:** I just have one question. So, we have opened two new stores in this quarter, and despite of that our other expenses have decreased quarter-on-quarter. So, my understanding is that when we open new stores, there is additional expenses that we have to do for inauguration and all. So, can you give a color on this, why have the other expenses decreased? And also, the renovation that you have done in some of the stores, what would be the expense of that?

**Bharadwaj Rachamadugu:** The other expenses, one of the major categories that we have reduced is on account of advertisement. As I did mentioned, compared to last year Quarter 2 and this year Quarter 2, are advertisements/ A&P spends have considerably come down and that's a conscious decision that we have taken. And even in those spends, major leap was , moving from the traditional newspaper to digital advertisements. So, that change was taken up a majority of our plan of action as we move forward. So, that's pretty much the account of how the other expenses have come down. Otherwise, the other expenses pretty much are on the same line.

**Akshat Bairathi:** And sir, on the renovation side, what can we expect, what are the expenses for the same?

**K.V.L.N. Sarma:** Broadly, we are budgeting about Rs. 4 crores on renovation of approximately three stores. That will be met out of the internal generations of the company.

**Akshat Bairathi:** And any further guidance on this other expense side, outlook or guidance?

**K.V.L.N. Sarma:** Broadly, on a percentage basis, it should come down because as we are expanding our Varamahalakshmi format, other than the initial launching expenses, the recurring advertising expenses are substantially lower in this format. So, going ahead, at least we will be able to maintain these levels of other expenses, despite increase in the square footage area.

**Bharadwaj Rachamadugu:** One other interesting point is, majority of our advertisement also is driven by our KLM format, and Varamahalakshmi comparatively has minimal advertisement when it comes to business-as-usual kind of mode. So, as we expand more of Varamahalakshmi silks, in terms of absolute value the overall advertisement spread should relatively be lesser compared to how it has been happening in the last couple of years on account of KLM taking majority of the heavy lifting on the advertisement side.

**Moderator:** Our next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

**Sunil Jain:** Sir, my question relate to, since October has already gone and we are targeting 25,000 square feet addition in next two months, are they on track or there could be some delay?

**Bharadwaj Rachamadugu:** For the next two stores for Quarter 3 I think they are on track. I think we should be able to open up the stores majorly by end of November and December, these stores will be up and running. So, we are still on track to get these three stores locations.

**Sunil Jain:** So, are they on the way?

**Bharadwaj Rachamadugu:** Yes, they are on the way, yes.

**Sunil Jain:** Sir, second thing about, there were some heavy rains in Chennai and all that area in October month, so had they had any impact on our sales performance in those areas?

**K.V.L.N. Sarma:** One or two places like Madurai, particularly. In Tamil Nadu, Madurai is one store which was doing very well and was hampered by the rains and water logging for about three, four days. And the other place is Andhra, Vijayawada. So, there was a slight reduction in turnover or affected due to the rains, but it was for about two, three days only in Tamilnadu but in Andhra i.e., Vijayawada and other places, it was for a longer period.

**Sunil Jain:** And sir, qualitatively, if you can indicate that season to season, like whatever after Pitra Paksh to Diwali, as compared to last year how we had performed it this year?

**K.V.L.N. Sarma:** I do not know whether we can roll out the figures, but the performance on SSG front and overall was also better.

**Sunil Jain:** And lastly about this KLM, since we were struggling in the performance of KLM stores, so how we are seeing this in the last quarter and in the current quarter?

**Bharadwaj Rachamadugu:** So, if you talk about KLM as a format, majority of the stores happen to be in Telangana area, and the Dussehra season panned out very well for the KLM format as such. That's believed to be the biggest season where people celebrate in our core markets of Telangana. Otherwise, KLM has been seeing a good transformation. I think the overall margin profile we are continuously trying to change the product mix and improvise our margin profile. Adding of newer categories in an SIS format has been one of the things that we have set targets. By the end of this year, we should be able to start off with and move towards achieving that. We have already started off with innerwear as a category and that category has been doing well. We will continuously try to see if we can add more categories in the entire value chain ecosystem to help KLM as a one-stop family destination store.

With respect to adding of the new KLMs, at this point of time we are not anticipating to add any of our KLM stores. The whole and sole point of activity that we would want to drive is to add only Varamahalakshmi stores and improvise the KLM format margins as well as product portfolio. So, that's been our primary focus. And as we believe Q3, Q4, considering wedding seasons, everything's going to kick in, KLM also is poised to do better than how it did in H1.

**Moderator:** Our next question is from the line of Chetan Shah from Jeet Capital. Please go ahead.

**Chetan Shah:** Just two quick questions. In our discussion we were talking about relatively a better second half, and in terms of addition of square feet which we have already done in the first half, and another 50,000-odd square feet, if I have heard correctly, 25,000 each in each quarter, which you are adding in the second half, so total for the full year we will be adding close to what, 80,000 - 90,000 square feet, Bharad?

**Bharadwaj Rachamadugu:** Yes, sir. So, totally I think close to 75,000 square feet we will be able to add in this financial year. There will be, as we initially planned, we have rolled over around 15,000 to 20,000 square feet for Q1 of next year. But you will be able to see this entire 75,000 square feet in terms of level of operations for FY '26. You will see all of this 75,000 coming into action. And the good part is, all of this is coming with the Varamahalakshmi format.

**Chetan Shah:** And the second point, when CFO sir was explaining that our Varamahalakshmi margins are close to 34%, 35%, that's at store level EBITDA. So, is it our gross margin in that business is close to 45%, 50%, and our company level gross margin as per your press release is close to about 41%, 42% in the first half of the current financial year?

**K.V.L.N. Sarma:** Yes. Correct. Gross margin levels for Varamahalakshmi format will be in the range of 43% to 45%. And also, store level expenses for Varamahalakshmi are slightly on the lower side compared to other formats. Broadly we can say, while at the company's gross level, store level expenses are in the range of about 15% to 16%. Store level expenses for Varamahalakshmi format will be in the range of about (+/-11%). So, both put together, i.e., the additional gross margins and lower store level expenses, the store level EBITDA will be better than other formats for Varamahalakshmi.

**Chetan Shah:** And my last question, when we talk about square foot addition, so next year also can be close to similar number, Bharad, or will we be little (+/-2,000) square feet? Just wanted to get a sense how next two years and which is the format which we are adding, and how the FY '27 total area square footage will look like?

**Bharadwaj Rachamadugu:** Sir, on average, we should be able to add around 10% to 12% of retail square feet addition year-on-year. And just because there's a spillover from this financial year to the next financial year, we might do one or two stores more. But as per the company's policy, we continuously want to add 10% to 12% of retail squares with addition every year. So, taking that I think by FY '26 we should be able to look at an 8 lakh square feet of total retail square feet presence.

**Chetan Shah:** 8 lakh total retail square feet presence, okay. And this will be more or less split in the similar fashion in terms of the geography like state wise? So, right now if I see, Telangana is highest with close to 300,000 square feet and Tamil Nadu is lowest with about 85,000 square feet. And the reason to understand this question, Bharad is, is there any changes in terms of the margin or a football or a revenue per square feet if we look at Karnataka, Tamil Nadu versus Telangana, Andhra Pradesh? Or they are more or less same?

**Bharadwaj Rachamadugu:** Sir, nice question. So, as of now whatever stores that we have added, majority everything was in Tamil Nadu. And Tamil Nadu if you see, compared to the core markets of AP, Telangana, Tamil Nadu Varamahalakshmi Silks' average is higher than the other markets. And the newer stores that we have added also is doing as per the same averages only, irrespective to the fact that it's in Tier-1, Tier-2, Tier-3. So, we are very optimistic about our expansion into Tamil Nadu because Tamil Nadu is a state that we believe that even in Tier-2 and Tier-3 markets, it has a very good economy. The kind of purchase power is much higher in these locations. that's the result of our stores that they have recently opened up two stores, one being Salem and one being Madurai.

As we speak, currently in the pipeline are, Trichy, Tirunelveli, Pondicherry. These are also stores that have a high potential. So, in these areas the margin profile is also same compared to what we are offering in the core markets of AP and Telangana. Tamil Nadu, as a matter of fact, is delivering the same margins, at the same point of time the revenue is also doing much higher than the core markets. And in the next two, three years, as you rightly said, majority of the stores though being in Tamil Nadu, we are also looking at opening about selective stores in other parts

of Karnataka. So, a quick insight if you see, our current store presence, though we have about 17 stores. In Karnataka, apart from Bangalore, we do not have any stores. And in Telangana, apart from Hyderabad and just one or two stores in Kamman we do not have much store presence. At this point of time, we are also looking at expanding into Karnataka markets.

**Chetan Shah:**

Understood. And sir, we have learned that our current year's first quarter was abnormally this month, partly due to external environment, and also we did not anticipate such a low SSG growth and all. So, if one wants to conceal the number for next eight to 12 months going forward, how are we preparing ourselves for any kind of such external shock so that our numbers do not get impact on our margin and our inventory do not get impacted. Any thought, any strategy which has been changed from management side?

**Bharadwaj Rachamadugu:**

So, if you see the current wedding calendar, which stands to be the single most important factor for our business, in H1 there are negligible dates and that's the reason why our SSG levels have been negative. But if you see right now, in Q3, Q4, historically also and even right now most of the festivities, most important festivities, right from Dussehra, Diwali, Pongal, Sankranti, all of these festivals fall in H2 of the year. Along with that, we also have a fair visibility in terms of how many wedding dates are there in second half of the year. So, taking these both activities into consideration, we believe that second half is going to be much better. that's how October as a month also started doing good. So, if things go on the same lines, November, December, Jan, Feb, and March also, because on account of wedding dates being there, we should be able to see good traction in these stores.

And as a matter of fact, the way these things are, Karnataka and Tamil Nadu are two markets has outperformed compared to Andhra and Telangana as markets. And October onwards, all these markets started doing good. So, it's just that we are very, very well prepared in terms of getting our product mix ready, I mean, getting our products ready in the store. And not to mention, I also wanted to highlight the importance of the software that we have. We have been developing these tools and modules over the course of the last decade, and we continuously strive to implement and build more technology to help us during movement of the stock from one store to understand the customer patterns better. So, today, understanding and looking at consumer preferences with respect to their purchase patterns, we are able to derive a lot of data. We will continuously use this data to carefully curate and customize the stock with respect to each and every store and that's something that is a continuous process and we are all very, very actively geared up to make sure that this wedding season goes as per our expectations.

**Moderator:**

Thank you. Our next question is from the line of Aniket Nikam from AFL Capital. Please go ahead.

**Aniket Nikam:**

I had two questions. I think the first question is, wanted some sense from what is the EBITDA margin level like for mature stores, maybe who are one or two years old versus newer stores?

Because obviously we are adding a lot of square footage area, so if you can give some sense on that it will be helpful.

**K.V.L.N. Sarma:** I mean, overall thing or Varamahalakshmi format?

**Aniket Nikam:** Varamahalakshmi format.

**K.V.L.N. Sarma:** Yes. As I told, it's in the range of 33% only at the store level EBITDA margins. In the new stores since there will be some launching expenses initially, the margin for the first six to eight months will be slightly lower. And then it's going to set with the company's average of Varamahalakshmi format.

**Aniket Nikam:** So, if I understood correctly, sir, you are saying in one year the store matures in terms of catchment and all of that?

**K.V.L.N. Sarma:** One full financial year, that means we are leaving out the year in which it has come into operation. We will assess one full year of operations of the store, that is, it would have seen two seasons. Normally, seasons will be somewhere in May, June 1, and then October to February 1. So, when the store sees these two seasons, then it will get matured. So, you can take it as one full year of operations and then the store is considered as matured.

**Aniket Nikam:** Sir, a related question to that is, how are our leases typically structured? So, what's the typical tenure and what's the typical escalation?

**Bharadwaj Rachamadugu:** Yes. So, the lease tenure anywhere goes from nine years to 15 years onwards, but average lease if you look at, At 11 to 12 years will be the average lease life that we currently have in the company.

**Aniket Nikam:** And sir, the last question from my side was, you alluded a little bit to the impact of rains in South India in this quarter. Would you have some rough quantification around how much revenue would have been impacted because of this? Would it be like 5% or like 2%, 3% or 1%?

**K.V.L.N. Sarma:** Broadly about Rs. 15 crores. Generally, about Rs. 10 crores to Rs. 15 crores maybe clubbing together the impact in Andhra and Tamilnadu – a part of which was in Q2 also Overall for H1.

**Aniket Nikam:** That's a substantial right,. Helpful sir. Thanks a lot. And all the best for H2.

**Moderator:** Thank you. Our next question is from the line of Naitik from NV Alpha. Please go ahead.

**Naitik:** Sir my first question is, if you could give me the average rent that we pay per square feet?

**Bharadwaj Rachamadugu:** So, currently if you see, the average rent, let me give you an idea on how we have opened in Tamil Nadu. Overall, in terms of when you take an average of Tier-1, Tier-2, Tier-3 put together,

it ranges anywhere between Rs. 60 per square feet it went all the way to about Rs. 140 to Rs. 135 per square feet. So, average we have about Rs. 80, Rs. 85 is our average currently in the stores that we have opened. But if you take as a complete average of rent to revenue ratios, it's still the same thing. I think last year I think it was around 4.5%, even though these new stores are added, it is well within that range of keeping it well under 4% - 4.5%.

**Naitik:** My second question is, you mentioned Varamahalakshmi, the store level margins are 33%, 34%, so this is excluding the rent or this does not exclude the rent? The store level margins I am talking about.

**K.V.L.N. Sarma:** Including the rent. Rent, personnel cost, electricity for the store, and some miscellaneous expenses at the store. These four are included.

**Naitik:** Another question is, sir, you mentioned you started innerwear in KLM format, so just wanted to know it is for all categories like male, female, or is there anything specific?

**Bharadwaj Rachamadugu:** No, it's for both the categories, male and female. Majority of it is coming from female. And as of now it's giving a good traction in all of our stores. It's a very small SIS positioning that we have done, and has been yielding one of the best results that we have. So, we will continuously see if we can add more categories in this particular space to gain better revenue per square.

**Naitik:** Sir, my next question is, you mentioned that advertisement now you have moved from paper to traditional one to digital. So, the traditional advertisements were more expensive than the digital ones, is that understanding correct?

**Bharadwaj Rachamadugu:** Yes. See, more or less, yes. Because a newspaper ad today is anywhere, if you want to get a first page, it can cost you anywhere between Rs. 20 lakhs to Rs. 25 lakhs. That same amount spent on digital marketing; I am able to do curated targeted campaigns to the right audience that I need. And we as a company, since we capture a lot of data, we try to understand what the patterns are. It becomes a relatively tailored and custom-made kind of advertisement at the expense that we do. And nowadays things have been aggressively moving towards content generation. So, in the last quarter we have also made significant efforts in all of our formats to generate quality content, and that has been one of the major reasons why we were able to push the content to the customers on both Meta as well as Google ads. We have significantly spent it compared to last quarter and last year, almost we have doubled our digital advertisement spends. And considering where the kind of results it's giving us, we will continuously do this in the Quarter 3 and quarter four as well.

**Naitik:** Can you call out the amount that you have spent on digital advertisement for the quarter?

**Bharadwaj Rachamadugu:** On an average, I think this quarter we spent about Rs. 2.2 crores.

**Naitik:** And sir, your employee cost is slightly if I compare say Q-on-Q, so it's largely because of the new stores that you have opened or there's any other item in that?

**Bharadwaj Rachamadugu:** Majority of what we see in terms of employee cost is basis of new stores. As you know, we have a road map of stores that we want to add in the near future. So, we are already preparing for the newer stores to come. We are already bringing them onboard and training them in our existing store network. So, the moment when a new store opens, we do not have to look for our new stores. So, we are already planning much ahead of our stores, so that's the reason why your employee costs are high.

**Naitik:** And sir, last question, I just need clarification, you mentioned you were going to open six formats of Varamahalakshmi format stores in H2, right?

**Bharadwaj Rachamadugu:** Yes, six to eight stores in terms of absolute number, but in terms of square feet around 50,000 square feet is what we told the number.

**Moderator:** Thank you. Our next question is from the line of Kabir, who's an individual investor. Please go ahead.

**Kabir:** My question is regarding what's the long-term plan. Looking at the investor presentation, I can see the CAGR is 22%. Like going forward for three to five years do we see Kalamandir expanding to rest of the India or what's the plan going forward?

**Bharadwaj Rachamadugu:** Could you repeat your first part of the question, are you talking about Kalamandir as a brand or the overall presence, Kabir?

**Kabir:** The entirety of the company, like we are in the industry of the Indian wear, women Indian wear. In the presentation you are clearly saying that the CAGR of our industry is quite high. My question is like, compared to the industry CAGR, how are we doing forward?

**Bharadwaj Rachamadugu:** Yes. So, as a matter of fact, in terms of our retail expansion, we should be able to target about 10% to 12% of our retail square feet addition. At this point of time, as of today, we are only present in four states of South India. In these four states also there's a lot of explored and unexplored areas that we wanted to go ahead and put our stores at. So, considering all of this, I think a yearly 10% to 12% of square feet addition is possible. And we will start doing this in a cluster format. If you see, our current stores also we tried to open in a cluster format. Therefore, it always has been the same methodology that we have been operating at. It helps us gain advantage over administrative cost, warehousing cost, etc. We will do the same thing moving forward as well, one market at a time, one region at a time we will continue to strive forward.

And in terms of our product offering, currently majority of our products are sarees, so 70%, 72% of what we currently sell is sarees. But also, there's a considerable amount of revenue



contribution with respect to other categories such as women's kurtas, salwars, lehengas, men's wear, kids wear. And at this point of time, though we do have a good amount of network with our vendor management viewer relationships. As we move our stores to newer locations, we will definitely look at customizing our product offering necessity to that particular region. So, currently we have already done this basis micro market level analysis in terms of what the customers are preferring. And moving forward also, as we add new stores, the product mix will therefore change. At this point of time, if you want us to talk about the next two to three years, majority of the growth will be driven by Varamahalakshmi Silks. And since Varamahalakshmi Silks as a format, majority of its offering is in sarees, sarees will continue to be the main flagship torch bearer for our growth in the near future.

**Kabir:** And is there any plan to expand towards the northern part of India? And down the line, just like this sort of a question, like 10 years after, where do you see Kalamandir Sai Silks as a company, what is it like after 10 years?

**Bharadwaj Rachamadugu:** So, if you want us to talk about 10 years down the line, definitely yes, our retail store presence will go much beyond South India. We actively wanted to move towards other regions of North, East and West as well. But as I did tell you, we wanted to take a slow approach. We wanted to consolidate every store. If you see our history as well, even before the IPO happened, we organically only grew. Though we had an opportunity to grow much beyond South India presence, we wanted to carefully curate and select the stores, very customized stores. And all of our stores if you see are company-owned company-operated stores. So, we believe in quality over quantity. We believe in profitability rather than pure revenues. So, all of these things are something that we take into serious consideration. So, yes, I think by year-on-year we should be able to expand our retail presence to not just in South India but the rest of the country as well.

**Moderator:** Thank you. Our next question is from the line of Yash Kedia from Maximal Capital. Please go ahead.

**Yash Kedia:** I just wanted to know that, a very basic question, say for example the shopping for the wedding dates starts two to three weeks prior to those dates. But won't the customer actually visit the store before that and finalize their products or what they want to buy/sell two to three weeks prior to the date? So, the initiation from the customer end, is it two to three weeks prior to wedding date or is it before that as well?

**Bharadwaj Rachamadugu:** So, if you talk about, there are two kinds of customers that we get. Some people for their own consumption, and there's a gifting element as well. See, if you look at people like brides, majority of the customers who walk into our Kalamandir store, majority of them are brides themselves who want to shop for their weddings. There's a lot of customization that goes on once the saree is picked up with respect to stitching of a blouse and etc., embroidery work or additional customizations, whatever they want. For them to execute this, they require at least two to three weeks. Because generally what happens is like women when they wanted to make customized

blouse, they have a lot of embroidery work, and that pretty much takes about two weeks. So, people go, plan this entire shopping ahead and try to buy. But on the other side, there are also the gifting kind of a customers that generally want to go ahead and gift their relatives, friends in terms of sarees, that generally do not take much of like two to three weeks of lead time, that happens much closer to the weddings.

**Yash Kedia:** What would be proportion for us approximate, our focus more will be on the bride side or on the gifting side in terms of --

**Bharadwaj Rachamadugu:** Our focus definitely is more on the bride side. If you take the entire, the way we look at the data, the way we analyze this, if you have to take between wedding and non-wedding wear, non-wedding meaning your festivity and any other occasions, at least 60% of the entire business comes from weddings. And in terms of festivities, rest of the 40% comes in. I am only talking about sarees as a category. So, this is how we try to differentiate.

**Yash Kedia:** For VML?

**Bharadwaj Rachamadugu:** VML is also same thing more or less, 65% of what we offer is coming from weddings, and 30%, 35% is coming from the festivity and other occasion wear. So, as you see, in the month of October, majorly it's driven by festivities. But November onwards weddings take place. So, at this point of time, majority of our revenue comes from wedding and the bride side of it. The gifting component as well as the festivity component is much less.

**Yash Kedia:** So, Q3 would be having sufficient wedding dates and then Q4 as well?

**Bharadwaj Rachamadugu:** Correct. So, Q3 and Q4 has much higher wedding dates compared to last year H2.

**Yash Kedia:** So, if I sum this discussion up, this particular discussion, won't our stores addition in H1 will help drive those wedding date purchases better than store addition getting in November and December? Just a basic question.

**Bharadwaj Rachamadugu:** So, generally if you look at a store addition, there's a lot of euphoria around a store when it gets opened. So, historically also that's how we open, we always opened our stores before festivities and before wedding calendars. What happens is like a new store in town, and when you do the kind of marketing and advertisement that we do, it attracts a lot of people to come and at least try out. If we try to open it in inauspicious period, the conversions do not happen as much as how it could have ideally happened before opening in the festive and wedding period. So, that's the strategy that we have been following. And that's the reason why we had to provision most of our stores in H2. But otherwise said, our initial target in the beginning of the year was adding close to around 90,000 square feet. And that's the reason why we have actually provisioned more number of stores in H1, which is in contrast to what we traditionally do.

**Yash Kedia:** But again, if we are opening stores in November, December, then ideally the demand which was there for Q3 wedding dates would have already been met, at least from the bride side.

**Bharadwaj Rachamadugu:** Correct, as I said, we strive to open our stores much ahead. We would want to love our customers come to our stores much before the wedding season. But again, the stores do take some time and some momentum right from the beginning till the end. But again, with that being said, that's not the end. Even in November, December if you see, our stores that are now getting added is in Tamil Nadu region. So, one single festival that is very big in Tamil Nadu is your Sankranti /Pongal/ Lohri.. And, that happens in the second week of January, and so we are still well positioned towards opening these stores much before the Sankranti season and the Sankranti festivity mood kicking in. On top of it, not only that, I think in Q4 also there are weddings and wedding dates. So, all of that put together, I think it's still a good time for us to open store at this time.

**Yash Kedia:** Sir, another just basic question. Say for example, this year the wedding dates are less, just a hypothetical example for me to understand. For example, this year wedding dates are less by say 10% to 15% than what was there in the erstwhile year. Then in that case, I have heard many less examples of wedding getting shifted to the whole next year. So, there are brides and grooms who actually do the wedding in that same period, though the wedding dates are less. But the wedding happens are not reduced by 10% to 15%, they may be reduced by, say, 5% to 6%. So, is this understanding correct or in the South something else happens because of this?

**Bharadwaj Rachamadugu:** So, the way we look at wedding dates, if you see, there is no such one unified way of looking at the wedding dates, every state has its own way of looking at the number of wedding dates. And that's the reason why at this point of time I cannot anticipate to look at how many wedding dates I have in FY '26, '27 and '28. Generally, the way we look at wedding dates is at the beginning of the year we get a calendar, and basis that calendar we try to analyze how many wedding dates are there quarter-on-quarter. On top of this, we also cross verify it with function halls, wedding halls to see if the data that we have is right. By doing this, we have a fair estimate about this quarterly plan on the number of wedding dates that we have and what's the impact on the overall business. So, that's the first point I would like to mention.

The second point is, generally what happens, last year that Pitra Paksh period we had one extra month, so generally that does not happen every year, it happens once in a while in a span of about four to five years, and that's also been the major impact as the wedding dates have been less. Otherwise, the wedding dates generally get shifted between one month to the other month, and the calendar dates shift. So, in that instance what happens is that we see huge amounts of traffic in terms of customers coming into our store, everybody at once. So, that's the kind of momentum we see. Though the number of weddings happening in a given year. The number of people who get married also depends. And sometimes the infrastructure will not be able to be in a way where it can accommodate everybody and anybody when it has a distributed calendar rather than a concentrated calendar.

**Yash Kedia:** And in terms of marriages, the proportion of the wedding dates besides the marriage is in the same proportion it is 8.5 correlation is there?

**Bharadwaj Rachamadugu:** More or less it would be on the same lines. It's all about like the number of wedding dates are all concentrated and the number of people who want to get married, the availability. See, from our side we can go ahead and deliver the products as much as possible with respect to our stores capacity. But there are other elements with respect to having availability of the event planners, wedding, function halls, even that infrastructure and ecosystem should also be able to support this. Otherwise, there are many instances where people I have known have changed their weddings just because of non-availability of these venues. But in terms of correlation factors, more or less the number of wedding dates and the number of weddings that are getting happened will be proportionate.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

**Bharadwaj Rachamadugu:** Thank you all for taking time to participate in the conference today. We are very excited for the Quarter 3 and quarter four to come. Looking forward to meeting you all in the next quarter earnings call. Thank you so much. Thanks for hosting.

**Moderator:** On behalf of HDFC Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.