



“Sai Silks (Kalamandir) Limited
Q3 FY '26 Earnings Conference Call”
January 20, 2026



**MANAGEMENT: MR. RACHAMADUGU BHARADWAJ – SENIOR VICE
PRESIDENT – SAI SILKS (KALAMANDIR) LIMITED
MR. KVLN SARMA – CHIEF FINANCIAL OFFICER – SAI
SILKS (KALAMANDIR) LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Sai Silks Kalamandir Limited Q3 FY '26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bharadwaj from Sai Silks Kalamandir Limited. Thank you, and over to you, sir.

R. Bharadwaj:

Thank you, Iqra. Good morning. Good morning, everyone. Good morning, ladies and gentlemen. Thank you for joining us today to discuss the financial and the operational performance of Sai Silks Kalamandir Limited for the third quarter as well as the 9 months ended FY 2025-26 .

First of all, I wish you and your families a very Happy New Year. I'm Bharadwaj Rachamadugu, Senior Vice President Sai Silks Kalamandir Limited, and I'm joined today by Mr. K.V.L.N. Sarma, our Chief Financial Officer.

To give you a scenario on the overall market environment for quarter 3, during the quarter 3 FY 2025-26, the Indian ethnic apparel retail market experienced moderated demand, primarily influenced by the shift in the festive calendar. Dasara, which contributed meaningfully towards the footfalls of Q3 in the previous year, occurred earlier and fell into Q2 during the current financial year. As a result, Q3 FY 2025-26 witnessed relatively lower footfalls compared to Q3 FY 2024-25, where festive-led demand had supported higher store traffic and conversions.

Consequently, the consumer activity during the quarter also remains largely occasion-driven with softer demand during the non-occasion periods. Consumers continue to display measured and value-conscious purchasing approach, reflecting broader consumption trends across the discretionary retail. Despite the near-term impact of the calendar shift, the underlying demand for ethnic wear still remains structurally strong, supported by weddings and cultural occasions.

On the financial performance side, for the third quarter ending December 31, 2025, the company reported revenue from operations of INR411.25 crores compared to INR448.5 crores in the last Quarter. The year-on-year moderation in revenue was largely attributable to the lower footfalls during the quarter, driven by the shift in the festive calendar.

For the 9 months period ending December 31, 2025, the company delivered a strong and resilient performance. Revenue from operations grew by 16.1 percentage year-on-year to INR1,234 crores compared to INR1,063 crores in the last 9 months of FY 2024-25. Gross margin for the quarter 3 improved 40 basis points Y-o-Y, increasing to 42.2% compared to 41.8% corresponding last quarter.

This was driven by pricing discipline and improved product mix. For quarter 3 FY '2025-26, the profit after tax stood at INR38.4 crores compared to INR46 crores in the last quarter. The year-

on-year moderation in quarterly PAT was primarily on account of the festive-led volumes and the Dasara season.

For the 9-month period ended December 31, 2025, the PAT increased by 50% Y-o-Y to INR108 crores this year compared to INR71.8 crores in the corresponding last period. On the absolute percentage basis as well, this year for the 9-month YTD, we achieved a PAT margin of about 8.77 percentage compared to the last year's PAT percentage of about 6.7 percentage, which is a 200 basis point increase, reflecting improved operational leverage, better cost discipline and absorption and enhanced operational efficiencies across the business.

This represents a strong year-on-year improvement, which is achieved despite the near-term demand variability and ongoing expansion-related investments. Overall, the company's performance demonstrates its ability to protect margins in the softer quarters while delivering meaningful profitability growth over the medium term and underscoring the strength and scalability of its operating module.

On the operations front, during quarter 3, the company continued to execute its calibrated expansion strategy with a focus on strengthening the presence in the key retail ethnic markets. In Q3, we have added approximately 20,500 square feet of retail space. During the 9-month period ending December 31, the company added 11 stores with a cumulative retail space added to be 54,500 square feet and are well aligned to meet this year's target plan of opening a desired retail area in stores.

As of December 31, the total company's retail footprint stood at 7.7 lakh square feet of total retail area, reflecting steady and disciplined expansion aligned with long-term growth objectives. As of today, the company still stands not to have a track record of not closing a single store.

Looking ahead, the company has a healthy pipeline of new store additions planned for the upcoming quarters. The expansion efforts will continue not only in the existing markets where the company already has a strong brand recognition, but also in select and new markets, which is currently being evaluated. The company remains focused on disciplined capital deployment and sustainable growth as it scales its retail footprint across the country.

Now I will hand it over to the operator and would be happy to answer any questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Sir, on the store expansion front, if you can talk about what are our plans for next financial year? Are we looking to expand in the existing geographies, the 4 states we are primarily present in, in the South India? So if you can expand upon that a bit?

R. Bharadwaj: Okay. So first and foremost, for this financial year, we targeted around close to 60,000 to 65,000 square feet. As of today, we are at 54,500, and we'll comfortably meet the desired target of 65,000 square feet, and there's a possibility to open beyond the targeted area this year. For the next year, we want to go a little bit more aggressively compared to this year. We have a strong

store expansion plan, and we wanted to extend the current target from 65,000 to almost like about close to 80,000 to 85,000 square feet.

So the markets where we wanted to look at is both on the current 4 states as well as into the newer territories. As we speak, we are exploring newer markets in terms of Maharashtra and Kerala as well. Very soon, we'll start expanding our store presence across the other areas as well. The format that we choose to expand is basically going to be majorly driven through Varamahalakshmi-led expansion strategy, supported by the Valli format.

Ankit Gupta: Sure. So majorly, it will be like Varamahalakshmi and Valli will primarily happen in the existing states we are present in, right?

R. Bharadwaj: Hello? Sorry, I am not able to hear.

Ankit Gupta: Yes. So basically, Varamahalakshmi expansion will happen in the new states that we'll be entering and Valli will happen in the existing states that we are present. That's the right understanding?

R. Bharadwaj: Correct. Yes, you're right. Correct.

Ankit Gupta: Sir, the second question was on how is the outlook looking for Q4 and FY '27? How are the wedding dates panning out for next financial year? If you can talk about how is the demand in the current quarter? So if you can talk about that a bit.

R. Bharadwaj: Sure. So I just want to quickly take a moment to just recap our conversations. If you look at my earnings call as well as news that I was participating in that, what I've also mentioned is after seeing a healthy pipeline of wedding dates in half year, I have told that there will be some amount of correction because of shifting wedding dates and festive calendar in the Q3. That is the kind of traction is what we are currently seeing right now.

But for the full year, after the quarter 4, the desired plan of being able to meet the 15% of revenue target still stands intact. On the wedding date side, as you rightly asked for, Q4 is having similar dates compared to last year of Q4. And in the next financial year as well. We get one round of calendars in the month of Jan. And we have one more round of iteration that we do in terms of preparing of the wedding calendar again during the Ugadi period, which is around mid-March and April. So as per that initial list we got from our market research, we do have a healthy pipeline in the next year as well.

Compared to this financial year, next financial year wedding dates are more by 10 percent. So last year to this year, it's already increased. And compared to this year to next financial year, it's even more than the current year. So it's looking very decent.

And the good part, again, which is going to continue is that all these dates are not clustered or not confirmed to just any particular month or quarter, it seems to have a distributed month. And especially during the next financial year from all the way to April to July, there's no break in terms of the wedding dates. It does have a healthy pipeline.

Ankit Gupta:

Sure, sure. Okay. Got it. And sir, on the KLM side, if you can share the numbers for Q3 of this year and 9 months as well and the comparative numbers for the last financial year? And how has been the performance of that? Have we seen some improvement till in the first half, we did see that there was some moderate growth in the KLM sales. So how has been the performance in Q3? And for overall 9 months, if you can share the numbers for this year and last year as well.

R. Bharadwaj:

Okay. So on the performance side, I think half yearly KLM as we rightly spoke about because of Dasara and all moving to Q2, we did see a very healthy SSSG growth for KLM as a format. There are no new stores added on the KLM front. But on the quarter 3 side, there has been some degrowth coming in from majorly the men's and the kids wear category. Sarees as a category seems to still be strong.

I think that's what I've also mentioned in the opening remarks as well because this particular category is the one, which is men's and kids' is the one category which has been affected in the KLM business as well. And that is what has caused the major degrowth in this particular quarter. But YTD, KLM is still positive, marginally positive.

And the way we think the remaining quarter for Q4 also goes, we should be able to end with a low single-digit positive SSSG growth for KLM as a business. One headwind that we are facing majorly is with the menswear and the kids wear category. The good news is sarees as a category isn't affected much.

Menswear, kids wear on the overall component today stands to be around 12% overall compared to the overall structure, which is 15% last year.

So that piece is shrinking. KLM as a business, majority of it still being sarees should not be a problem. I think we should be able to recover whatever we have lost in Q3 with a marginally slight single-digit SSG growth by the end of Q4. That should be possible.

Ankit Gupta:

Sure, sure. And sir, just one last question on the other expenses front. So we have seen a significant decline in other expenses in Q3 compared to the Q3 of last year and primarily maybe due to the Dasara sales getting keep on. And but overall, on a 9-month basis also, if you look at the numbers, we have hardly grown on the other expenses front.

So if I look at the breakup of that, there are major rent-related expenses and other fixed costs which are there, but there are some sorry, the variable costs, which are there. And but there are some business and advertising expenses also. So have we reduced on that from the business and business promotion and advertising expenses for this quarter?

And even on Y-on-Y number, there is hardly growth of 14% or 4% in this number compared to 16% growth in the top line that we have seen for 9 months. So if you can talk about this and elaborate on the same?

R. Bharadwaj:

Sure. One of the major reasons what we have consciously taken a decision upon is because the festivity moved to Q2, we have pushed the aggressive expenditure to Q2 and have controlled expenditure in the Q3. And therefore, you see a reduced expenditure on the overall front. If you also look at new store openings this year, majority of our stores are Varamahalakshmi.

Varamahalakshmi Silk stores generally have lesser advertisement compared to any other format that we currently operate in.

So the nature of the business, when we do realize that the festivity calendar has shifted, and therefore, we have taken a conscious decision of limiting the advertisement and business promotion expenditure. That is one of the major reasons why we are still able to show a decent EBIT margin of about 17% this year and still be able to not affect the profitability aspect. That's again something that I mentioned in my opening remarks as well.

During the softer quarters, we are aware of what kind of demand will pan out. And therefore, we have taken conscious decision to not overspend on advertisement expenditure. So what you are seeing today in the advertisement and business promotion expenditure saving is the actual saving that will happen. And Q4 compared to last quarter and this quarter should pretty much be in the same lines on the advertisement spend.

Apart from the business promotion and advertisement spend, remaining all the other expenditure are pretty much similar. It is as per the normal norms of how the expansion has happened. This is one area that where we were able to like reduce the advertisement and business promotion expenditure and therefore, the entire margin through down to EBIT and PAT.

Ankit Gupta: Sure. Sir, just last question on this front. So how should we look at this number going forward, like as a percentage of sales with the expansion that we are planning in the next financial year in new states?

R. Bharadwaj: Sure. See, on the absolute advertisement expenditure, our internal goal is 2.5%. That's where our goal is. On the ADVT and business promotion expenditure, both put together, we should be able to be under 4%, 4.5% on the maximum side. But the way things are happening, we are aggressively taking a stand to keep it well under 4%.

Ankit Gupta: And that should continue when we expand to new states?

R. Bharadwaj: Absolutely. It should continue. It will continue as we expand in new states and new formats as well, whatever comes down, that will still be the goal and the KPI that we will be targeting.

Moderator: The next question is from the line of Akhil Parekh from B&K Securities.

Akhil Parekh: My question is on the growth front, right? I understand the festive has shifted this year versus last year. But if I combine 2Q and 3Q numbers, the growth rate is still at 6%, 7% on a top line basis, which is relatively weak given that you were expecting FY '26 to be a very strong marriage season. So that is one.

And second, I think you've lowered your sales guidance for full year because last quarter, if I look at it as per the con call, you were guiding for 18% to 20% top line growth vis-a-vis what we are saying now, we are comfortable at 15%. That's my first question on the growth.

R. Bharadwaj: See, on the growth side, I think 9 months till now, I think we are still positive by 16%, 16.5% is the overall growth. On an absolute SSG level also, I think we are close to around 6% more or

less on the SSG side. On the full year side, what we have initially guided is around 15% to 18%, while 18% is still the target. I think after seeing a quarter 3 performance, we wanted to be giving you a conservative approach of being able to achieve the 15% kind of a number.

So the way things are in quarter 4 also, there is like February and March and all April, these 3 months are heavily motivated by the festive and the wedding calendar that is there. And therefore, we believe that this is a number that should be possible.

We've just hardly completed like 15, 20 days of business in Q4. From where things are, the business should be able to pick up. And once we start moving down the quarter, we should be able to give you a realistic guidance on it. But at this point of time, I feel like achieving a 15% growth would be realistic right now.

Akhil Parekh: Sure. And anything on the margin front...

R. Bharadwaj: I think overall -- yes, please.

Akhil Parekh: No, no. Go ahead. Go ahead.

R. Bharadwaj: No. I mean, that's what I wanted to mention. I think what we have also mentioned is I did highlight in my earlier conference call also that quarter 3 should be a little weaker quarter when you look at because last year, in H1, it was pretty negligible year for us in terms of the wedding and festivity calendar. The entire business moved from H1 and fell into Q3 and Q4.

So Q3 was a quarter that has taken major heavy lifting in the last year business. This year, what happened is, one, it's a heavy base when you compare to last year Q3 to this year Q3, plus the season has moved from Q3 to Q2. This is the reason why we are seeing this sort of a degrowth in this year Q3 numbers. But when spread this out to a full year, 15% should be possible for us. That's what I wanted to mention.

Akhil Parekh: Got it. And my second and last question on the growth and margin front for FY '27. So first 9 months this year, we did around 16.1% of EBITDA margin. Given that we are going to expand further in Varamahalakshmi, should we anticipate some improvement on the margins front for FY '27? And second, should we pencil in 12% to 15% of growth for '27? That's my last question.

R. Bharadwaj: So on the margins front, I think I wanted to mention you is like, see, even with respect to profitability aspect, right? I mean, we're talking about EBITDA margins, I'll come to that also. This year, in the 3 quarters, last year, we have done a total profitability of about INR71 crores to INR72 crores.

This year, already, we have surpassed the last full year's number of INR105 crores already by now. We've reached the INR108.2 crores. What I'm trying to tell you is the operational leverages and the EBIT percentage margins are already kicking in and that is what is causing us give a healthy margin.

So this should be able to continue in the Q4 as well, and we should be able to post comfortable margins overall. But on the overall front, the gross margin side, I think achieving a 42% to 43%

in the next full year should be achievable. And on the EBITDA margin side as well, 17% to 18% is something that we are targeting for the next year. This is majorly driven by Varamahalakshmi format and change in the product mixes is the 2 fundamental reasons that I wanted to put out there.

Even if you look at the overall full year this year projection, even if you are able to achieve a 15% to 18% kind of a number, on the profitability side, I wanted to mention is that operational leverage will kick in and almost we are expecting a 35% jump in terms of profitability compared to last year's profit. So both on the gross margin expansion is possible and EBIT margin is definitely possible.

On the PAT margin, I think we are clearly able to see that the jump is already there. And we have surpassed last year Q3, and we still have 1 full quarter of the entire profit being added to the overall full year profit number. This is taking into consideration of the onetime tax provision that we have given last year. Otherwise, the reported profit last year was only INR85 crores.

Akhil Parekh: Sure. That is clear. Just one clarification. You said 35% PAT growth for full year, right, on a Y-o-Y basis, FY '26 over '25.

R. Bharadwaj: Correct.

Moderator: The next question is from the line of Rahul Jain from Credence Wealth.

Rahul Jain: So with regards to the growth next year, you mentioned we have better wedding dates, which are much more spread out compared to this year. And also, you are targeting a much higher square feet addition which you mentioned in your initial comments. So when we look at next year on overall top line growth, should we expect at least 15% or maybe in the range of 18%, 20%, given the square feet addition and the wedding dates being better than this year. So can we expect on a current 15% growth, so this year, we end up around INR1,700 crores of sales on that? Can we expect somewhere around 18%, 20% growth?

R. Bharadwaj: The goal, sir, is to actually have a 5% SSG and a 15% kind of a new store rollout addition. Both put together, it's going to be 20%. That's the goal that we internally have been working with. But to answer your question in short, yes, we should be able to target anything between 15% and 20%.

Rahul Jain: Sure. And coming to the next year store addition, which you spoke about and also you spoke about Maharashtra being there. So typically, since the number of stores being added and the square feet addition is quite aggressive, could you add some more details in terms of what kind of addition in which states we are looking at? And Maharashtra any typically, are we trying to get some stores in Maharashtra also in the next 1 year?

R. Bharadwaj: As a matter of fact, I think from the last quarter, we have been actively scouting for locations. It's just that the rental costs are much, much higher than the average rental that we paid down in any of these 4 states. We are actively negotiating with the landlords to ensure that it fits into our ecosystem of rent-to-revenue ratios. The way things are currently is that the rentals are much,

much higher in Mumbai. But I think we are in advanced stages of negotiation, and we are actively pursuing opportunities in Nagpur, Mumbai and Pune as well.

We should not be able to see a huge number of stores in 1st year, but we should definitely be able to see a few couple of stores and us entering into this market, trying to understand once. Next year, we start like probably in 1 or 2 quarters, we should be able to sign a few couple of stores.

Once those stores come into full operational existence and once it completes like about a quarter or 2 quarters, probably that's when we'll start adding additional new stores. But at this point of time, to answer your question in short, by next year, you should be able to see stores in Maharashtra.

Rahul Jain: And last thing, sir, with regards to Valli, so we are already at 11 stores and almost more than 6 months since the first store opened. So if you could share the unit economics with regards to this format, that would be quite helpful.

R. Bharadwaj: Sir, I wanted to again mention that first quarter of Valli operations was Q2 this year and the quarter 3 was a slower quarter overall. So it still wouldn't make sense to give a number. But broadly, if I have to put Valli into perspective and give you numbers, it will be in the same range of how Kalamandir formats are currently working with reduced capex and reduced inventory levels.

If you could give me another quarter, like by the end of March, it would at least complete about 6 to 9 months of complete operations and probably make sense. In this next quarter, we don't have any new Valli stores planned. So what we wanted to do is, like, we wanted to have a proper model build in terms of how we wanted to take it forward and only then we will add new Valli stores.

These 11 Valli stores should remain in the same count by the end of March, and we should be able to build a model out of this and be able to provide it to you. And post that, we should start looking at Valli expansion in the next financial year. Whatever stores that we will be adding in this particular quarter, in Q4, will be Varamahalakshmi Silks.

Rahul Jain: Sure, sir. So sum it up, Valli economics currently are almost somewhere near your Kalamandir format. Is that the right assumption?

R. Bharadwaj: Yes, you're right.

Moderator: The next question is from the line of Param Vora from Trinetra Asset Managers.

Param Vora: So my question is regarding the margins. So are there any margin differences between online and offline sales?

R. Bharadwaj: Yes Param. So yes, there are margin differences between the online and offline. On the Varamahalakshmi and on the Mandir, these are the 2 formats that we are having on the online

business, slightly lesser. On the online business, we have like 10% lower cost compared to the offline stores.

But on the Kalamandir front, again, there's a difference. But online business in the overall aspect, if you see, it's probably 1%, 1.5% of the overall business currently. So it's still relatively a smaller pie compared to the offline section, but there's a slight lower margin, I mean, on the online business compared to the offline business side.

Param Vora:

And any plans to partner with third-party online channels like Myntra, Ajio, etcetera?

R. Bharadwaj:

On that front, I don't think, as a company, we would want to aggressively go into the third-party channels. I think on the marketplaces, as you mentioned, we have tried this out in the last 2 financial years. And what we have understood is huge marketplace commissions eats up margins, and there's a heavy advertisement commissions as well, and the worst of all is that when you get the product returns, the product doesn't come intact.

There's a lot of business loss that we are incurring. So we thought like whatever business we try to do, we pull it away from the marketplace channels and try to do everything on our websites only, and it's working well.

The good part is that, typical ASP for these marketplaces that you were mentioning about ranges around INR700 to INR900, INR950. But for us, if you look at the Mandir and Varamahalakshmi, we are still being able to like operate with an ASP of about INR8,000 or so.

So that's something which is encouraging, and we don't want to actually go into the market place as we speak. We are comfortable in this place. You also need to jack up your margins aggressively and then provide deep discounting. That's a model that we don't want to operate in.

Moderator:

The next question is from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai:

Sir, first, a clarification. I think you guided for 15% growth on an overall entire year. So that comes out to be 12%, 13% growth for the Q4, right? So is that a fair understanding?

R. Bharadwaj:

Yes. That's right.

Dhwanil Desai:

Okay. Okay. Got it. Sir, one question on this expansion thing. So I think whenever we last interacted, the idea was that there is enough room in the existing state to go deeper and try out newer formats. So we were opening some stores of Varamahalakshmi in Karnataka. There was some space there, same thing in Andhra also.

So if you can elaborate your thought process on idea behind entering a state like Maharashtra, which is quite different maybe in terms of taste and kind of merchandising that you need to keep? And also, if you enter in a city like Mumbai, wouldn't it make sense to have multiple stores rather than have 1 or 2 stores there? So if you can talk about your strategy, why we are going into a state like Maharashtra, which is kind of away from what we have been doing so far?

R. Bharadwaj:

Okay. So on the overall strategy-wise, yes, there are pockets of areas in the current existing territories where we are not present. I mean, I've given examples in my previous conversations

as well, which is in Telangana apart from Hyderabad and this one small city called Khammam, there is no other store presence.

There's a lot of opportunity in this Telangana as well as in Andhra. While we are adding up new stores in the existing core markets, we also wanted to start slowly pivoting into newer territories.

The way we wanted to do is open like 1 or 2 stores max and understand the consumer behaviour and consumer pattern. The good part in our ecosystem of stores is, if we wanted to change the product mix, there's always an opportunity for us to sell it in different stores. Even as of today, the procurement that what we do for our existing stores in these 80 stores that we have are not just sourced from 1 city.

We source from pretty much any saree weaving cluster that is out there in the market. We source some different points like North, South, East, West, wherever it is, I think more than 100 places is where we source our products from. So the consumer point of view would not vary too much. We would still be able to operate in the wedding space, I mean, which is the saree space, but slightly be able to add the value with kurtas, kurtis and lehengas aspect to that.

But overall, still our USP and primary point of focus will still be sarees. So when we move into a new territory like Maharashtra, be it Mumbai, be it Pune, wherever it is, we will start off with 1 single store, understand what the consumers and customers are asking for, make the necessary changes before aggressively expanding.

Once we crack that part of what exactly the customers want, then we'll start aggressively going to expand 2, 3, 4 additional stores. And the reason behind that is it will give you some leverage with respect to back-end operations like warehousing or administration. This is the cluster model that we have been following for the last 2 decades.

That is what has worked for us, and we will continue to operate in the same aspect. So this logic applies to new cities, new territories and new states, anything that we go to. This is the kind of logic that we will try to apply for.

Dhwanil Desai: Sir...

Moderator: Please rejoin asking for more question.

Dhwanil Desai: I just had one question, right? I had just one question.

R. Bharadwaj: Sure., please. Yes.

Dhwanil Desai: Yes. Sir, second question is on the Varamahalakshmi. So I think we were clocking around 25,000 to 30,000 kind of a number for the Tamil Nadu stores and idea was that it will eventually mature to 45,000 to 50,000 range. So where are we in that journey? Are we moving towards that number? Or do we expect to hit that number in Q4, Q1 next year? Any thoughts on that?

KVLN Sarma: Tamil Nadu currently is delivering on an average around INR37,000 to 37,500 per square feet. There is a potential for it to go up to 45,000 by the end of '27. So on - staggered basis, this will deliver another 7,000 to 7,500 in the next 4, 5 quarters to come.

- Dhwanil Desai:** Got it. And that will help improve our margins, right? Because that's...
- KVLN Sarma:** Substantial . Correct. That will substantially improve the margin because the store level costs are already met at the current level
- Moderator:** The next question is from the line of Resham Mehta from GreenEdge Wealth.
- Resham Mehta:** So the first question is on the store expansion plans. So while it's around you've guided for around 80,000, 85,000 square feet. Can you give the breakup between Varamahalakshmi and Valli? Broadly, what is it that we are thinking? And also in terms of Varamahalakshmi, so at around 37 stores or maybe if you want to put it in square footage terms, where do you see that kind of saturating in the existing markets of South?
- R. Bharadwaj:** Okay, ma'am. So for the next year target, more than 50% will be Varamahalakshmi and the remaining 50% will come from a Kalamandir and the Valli format. As I did mention, in quarter 4, we are holding off on to expanding into Valli format because we want to build a model and bring in more efficiencies to the current model, build that model first and then start scaling into the other Tier 2 and Tier 3 stores.
- The vision that we have for Valli is eventually, if not this year or maybe within the next 12 to 15 months, we should be able to make this model attractive so that if at all, in future, we are able to build in investor-friendly franchisee model, Valli as a format, will be able to help us build that. That's the vision plan for Valli for the next 12 to 15 months.
- But for the next financial year, because we already have a capable steady format, which is the Varamahalakshmi silks. It is better in terms of capital allocation and better margin profile, everything, we wanted to at least have 50% of the overall expansion coming from Varamahalakshmi format.
- In the location strategy perspective, while we are scouting for newer territories, which is Maharashtra and Kerala, the emphasis at least in the next 6 months will be in the core markets. It is just that we are trying to finalize and freeze these locations, not many locations are ready to occupy for us to begin with. But by the end of FY 26-27, you should be able to see stores where we are able to open beyond the 4 territories.
- And in the existing markets, if you ask, are there any scope for expanding into newer markets with respect to Varamahalakshmi and Kalamandir? Yes, in Tier 2 cities, we are not at all present in terms of Telangana market as well as in Andhra market to a certain extent. We are currently in an active pursuit of closing a few locations. But again, in Karnataka in the last year and this financial year, I think we have closed a few locations in Karnataka and there are still opportunities in Karnataka.
- With respect to Tamil Nadu, what we will do is like we will pause with the Varamahalakshmi format in Tamil Nadu because we are having Varamahalakshmi spread out pretty much every 2 hours or 3 hours in Tier 2 locations we have our Varamahalakshmi stores present. There's maybe 2 or 3 new Varamahalakshmi stores that could come in Tamil Nadu.

But what we will do is that with the Varamahalakshmi stores already being present, we will now support that existing store network with a newer format. This could either be a Kalamandir or a Valli format. And that is what will help us bring in the cluster expansion strategy and be able to get that advantage in terms of administration and back-end warehousing. So this is broadly the structure that we have for this financial and the next financial year.

Resham Mehta: Just 2 clarifications here. So when you say 50% store expansion for the next financial year, you're being led by Varamahalakshmi. So you say 50% in terms of the store count or in terms of the square footage?

R. Bharadwaj: What we are currently tracking is store square footage itself. I think the store count, the averages are moving a little bit, 5,000, 6,000, 7,000 is the kind of average that were going. I think, 3, 4 quarters back itself we started communicating and the way we are tracking is with respect to the store square footage itself. So the metric that we should be able to assess is the store square footage itself.

Resham Mehta: Okay. So 50% store square footage from Varamahalakshmi. And the second clarification was on so, basically, what you're trying to say is that Varamahalakshmi will still continue to expand the stores in Tier 2 cities of Telangana and Karnataka, while Andhra and Tamil Nadu will be kind of in a pause mode. Is that understanding right?

R. Bharadwaj: Okay. More or less, yes, there are still 3, 4 locations in Tamil Nadu and 3, 4 locations in Andhra that we are currently going to complete expansion. In Andhra, I think by quarter 4, we should be able to add 2 or 3 locations in Andhra. After that bit completes, then there are like 3, 4 stores, but majorly in Tier 2 of Telangana and Karnataka, you should be able to see stores coming in.

Resham Mehta: Understood. The second and the last question is basically on funding this expansion and the working capital. So with this 80,000 square footage and if I assume like around INR4 crores capex per store on an average, right, however, we don't have the store count per se, right?

So how and also, let's say, if we do around, based on your guidance, INR2,000 crores kind of a revenue in the next financial year and half of our working capital is half of our sales, so INR1,000 crores working capital requirement and to fund the store expansion, so when do you see -- how do we -- when will we need fresh funds, et cetera? I do understand that there's still some bit of unutilized IPO monies left, right? But where is the funding requirement again coming in?

KVLN Sarma: Yes, this IPO money, we will be getting exhausted by this year-end FY '26. So by that time, out of IPO money, we would have completed about 1,90,000 square feet of expansion. However, during the current year and some part of the last year, we have internal generations accrued, which we are holding on in cash right now after liquidating the entire working capital borrowings.

So broadly, if you take the store expansion along with the working capital, if we are implementing, say, around 75,000 to 80,000 square feet then for that, we would be requiring at the rate of INR4,000 to 5500 per capex and about INR8,000 to INR9,000 per working capital, we should be requiring in the range of INR12,000 to INR15,000 per square feet, including working capital, which entail approximately INR100 crores plus or minus for the year.

So right now, all the internal generations are free for us because the entire expansion was funded by IPO funds and working capital was already brought to 0 by the beginning of the year. Hence we will have the entire current year generations available for us for expansion in the next year.

So that will be fully adequate for the proposed expansion. And then it is a cycle going ahead next year also. Broadly, we are holding an inventory of INR770 crores to INR800 crores at this point of time where working capital borrowings are 0.

So then when we are deploying these funds, i.e., when we are expanding store foot print and along with that expansion, our working capital is also met through internal resources only. So the expansion for the next year would be easily funded by the internal generations that we are holding at this point of time and the funds that will accrue in the Q4 as well.

This will be a cycle till we undertake a larger expansion and wherever required, if there is any shortfall of funds at any point of time, we would go in for working capital borrowings. But as I foresee, we will not be requiring any borrowings for working capital until the second half of FY '28.

Resham Mehta: Understood. Very clear. And we have some INR22 crores unutilized money.

Moderator: Sorry to interrupt...

Resham Mehta: Just the last question, data question.

R. Bharadwaj: Can we let Ma'am explain. Yes, please go ahead, Ma'am.

Resham Mehta: So we have this unutilized INR22 crores for 2 warehouses. So do we plan to utilize this for the 2 warehouses?

KVLN Sarma: Yes, we would. We have a plan to identify and put up the warehouse also because Tamil Nadu expansion is almost complete, but for about 3 to 4 possible stores hence forth. We would be implementing the warehousing implementation also. Maybe there may be a slight delay of 2 or 3 months, but the identification and transaction will be close to before 31st March.

R. Bharadwaj: But on the overall front, I think, ma'am, what I wanted to tell is the unutilized funds that are currently there in the monitoring account, more or less, I think we should be able to have the utilization completed by 31st of March.

Moderator: The next question is from the line of Amish Kanani from JM Financial.

Amish Kanani: Congratulations, sir, on a very good control on working capital and profitability controlling the cost. Sir, quite a bit also is asked about the growth, which was slightly softer in Q3. If you can just give us some sense, you mentioned men's and kids' wear category probably were the reason. Is this the way things will pan out because of our expansion strategy?

I understand the growth of 15% to 20% is probably will come from there. So one, if you can give us the sense that for reaching 20%, the 10% store count growth and 5% SSG, where that

extra 5%, if at all, we have to grow at a higher rate, how will we kind of achieve? If you can give us some sense, that will be helpful.

R. Bharadwaj:

In this year performance overall, in quarter 3, pretty much all the formats did see degrowth. And the reason why I mentioned men's and kids' supported by KLM Fashion Mall, is that those were the sections that took that a bigger impact in terms of the degrowth aspect.

But if you look at YTD, saree still continue to dominate and show resilient performance overall. So we will still continue to operate in that particular space. As we keep adding new stores, the impact of men's and kids' as a category itself will slowly come down and will not increase in the overall contribution to the revenue.

With that being said, there are efforts. I think in the last couple of quarters also what I have been mentioning is men's and kids' wear is undergoing a lot of changes. And the changes include changing of the overall product mix in the men's and kids' wear category, renew the entire purchasing style that what we have been capturing.

Those are some efforts that we are taking, and we will continue to do so. But for the next financial year, I think we will still be able to plan and build a model around where the SSG contribution to the overall growth will be 4% to 5%. And remaining growth, whatever, be it aggressive or less aggressive, will entirely come from the new store addition that we plan to add. So to answer your question, the remaining gap in terms of the overall growth will come from the new store addition that we will plan.

KVLN Sarma:

If I may add a little on this. The growth comes from 3 aspects. One is store addition. The second is SSG beyond the 3%, it will add to some margins. And the third, the stores which have already come into existence getting matured and giving higher productivity. So the higher productivity in the stores that have already established will give a better margin, a higher margin going ahead. So the growth and the profitability aspect will come from all these 3 aspects.

Amish Kanani:

Yes, sir. And in that question, sir, in that same light, how is the store count addition that we had for last year and this year-to-date? How is the productivity there? Is it shaping up the way we like it and scaling up to the normal mature store economics, sir?

KVLN Sarma:

. For the last question, I remember to have answered this that the new stores that have come in last year, they are averaging around 37,000 to 37,500 with the potential of 45,000. So there is a potential of another 7,500 per square feet on approximately 1 lakh square feet. That would come over the next 4 to 5 quarters.

Amish Kanani:

Sure. Sir, I have a couple of more, but I'll go back and come in the queue.

KVLN Sarma:

Yes, please.

Moderator:

The next question is from the line of Hitaindra Pradhan from Maximal Capital.

Hitaindra Pradhan:

Yes. So first question is on the store expansion plan for FY '27. So if I heard it correctly, you said 15% square feet is addition which I think translates to almost 1.2 lakh square feet

- KVLN Sarma:** Store addition is 10%, approximately 75,000 square feet.
- Hitaindra Pradhan:** Okay. Okay. So the question here was, see, last year, the June quarter was basically a washout quarter for us. So on the base of last quarter, this 9 month 15% is looking nice. But if I look at 2-year CAGR for 9 months to 9 months, which takes into care the wedding day dips in the June quarter last year. Your sales CAGR is around 10-odd percentage. And your square footage addition itself is 9%, 10% in these 2 years.
- So now we are talking about even more aggressive expansion. But somehow the data which is available to us is not reflecting any sort of a meaningful SSSG, which you are getting from that stores. So given that and also you mentioned about the consumer behavior, which is becoming more value-oriented and we are more a specialty sales driven. So given this, what is giving you the confidence to become more aggressive in the store expansion?
- R. Bharadwaj:** Okay, so on the SSSG-wise, I think last year was that disrupted year. And the previous year also a little bit in terms of the Q3, Q4, there has been effect in the overall the demand perspective. These changes what we have been seeing in the previous year and the last year was majorly with respect to retail as a category on the whole, those are reasons I would probably attribute to the macroeconomic trends, which I probably don't want to comment today upon.
- But in this particular financial year, if you look at, where if you remove the quarterly highs and lows, on a full year basis, we are able to showcase that ideal year where SSG level contribution is still there, plus we are still be able to showcase the overall growth as well. So what I would want to point.
- Hitaindra Pradhan:** Sir, that is a disconnect because if you remove last year Q1, which was basically a washout, then as another analyst also pointed out, for Q2, Q3 combined, it was looking at 6%, 7% growth only, which is not more than your square footage addition. So that is where the disconnect is coming. The data which is available to us is not showing any meaningful store-wise growth, sir.
- R. Bharadwaj:** Okay. So what I was trying to communicate is when a continues a format by format, if you are able to clock a positive SSG growth, that gives us confidence for us to like start expanding beyond the current levels. While the last year and the previous year, all are disrupted because of other factors, with Varamahalakshmi format and the Valli Silks format taking into shape.
- We believe like the store expansion should be able to help us balance out and maintain a positive level growth. But the goal for us still will be to ensure a positive SSG that we should be able to achieve, which is what is happening in this financial year.
- So because we know that by the end of March, we will be able to clock a positive SSG, this gives us confidence to start expanding beyond the current territories to newer territories and start making a mark for us and start expanding further beyond these markets because even when we go beyond the current territories, go into newer territories.
- There is still a possibility for ethnic retailers like us because in those markets, majorly, these are dominated by the kurta, kurthi, lehenga categories. Saree as a category, there are still no trusted

brand or a trusted player pan-India. And we feel like there's a gap in the market, and we will fit that gap properly.

Hitaindra Pradhan:

Sir, it would be good if you can help us with format-wise SSG because see, if you look at the overall company picture, we are not able to understand what is giving you the optimism to become more aggressive about store expansion because maybe your enthusiasm is coming because you are seeing maybe VML and Valli having good SSSG. But overall, at the company level, sir, we are not able to see SSSG from the financials, which are there if we take out the Q1 of last year. So that was the feedback, sir.

And second is on the other expenses, now there has been a major dip. So last year, I think we had some short-term rents and ads, which were sort of major heads inside that. So if you can give some numbers on what has contributed to only 4% other expenses growth for 9M? And how do we see that in the coming year, sir?

R. Bharadwaj:

On the other expenditure front, I made this explanation earlier as well. This year, we have reduced the overall advertisement expenditure. And majorly, this has come into effect in the quarter 3, which is the last October to December quarter is what had a major impact in the reduced expenditure.

So last year and the previous year, what we have also done is business promotion expenditure also was something that we were carefully aggressively promoting because half year, we had a negative half on the overall degrowth. We started operating majorly on business promotion to give some kind of rewards to the customers to come and continuously shop with us.

This was again driven majorly with the KLM format. This year, we do understand that business has the seasonality aspect and wedding rates are evenly spread out. We reduced the overall dependency on the business promotion aspect. And therefore, the additional new stores that came in this year, which is Varamahalakshmi stores, in general, only requires lesser advertisement expenditure.

So therefore, these both are the 2 factors why the advertisement expenditures for 9 months seem to be much lower than compared to last year. Now again, one other aspect to this is last year, in quarter 2 onwards, we started aggressively expanding and spending in digital media and digital marketing, while the offline advertisement still was important in the last year.

This year, on the offline marketing, which is newspapers, which is like TV shows, that expenditures also came down. And whatever we are trying to spend is majorly on the digital front and social media channels. So these are the changes that has caused us to have a reduced advertisement expenditure.

On the overall broader perspective, the ad expenditure alone, we will be able to keep it under 2.5%, but advertisement along with business promotion expenditure, we will be able to keep it under 4%. This number should start coming down as we move along.

Moderator:

Thank you. Ladies and gentlemen, due to time constraint, that was the last question for today. I now hand the conference over to Mr. Bharadwaj for closing comments. Over to you, sir.

R. Bharadwaj:

Thank you, everyone, for joining. Before we close, I just want to mention that despite the seasonality aspect of quarterly changes that are happening, one good thing is that, and also the signs that the company is continuously showing is that the growth in terms of the overall revenue versus the EBIT and the PAT margins are growing in a healthier fashion.

And that's something that we were able to showcase in this quarter despite having a negative SSSG growth. The profitability aspect seems to still be intact. What we also consider when we keep on expanding is this sort of an operational leverages will still kick in. And by the end of Q4, we should be able to target a much aggressive profitability compared to the top line growth that we will continue to deliver.

This is a trend that we should be able to see in the next upcoming quarters and the years to come. Again, looking forward to connecting you again in the next quarterly update. Thank you for connecting today. Have a nice day. Thank you.

Moderator:

Thank you. On behalf of Sai Silks Kalamandir Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.