“Sai Silks (Kalamandir) Limited
Q2 & H1 FY27 Earnings Conference Call”
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Moderator: Good morning, ladies and gentlemen. I am Karthikeyan, the moderator for this conference call. Welcome to the Q2 and H1 FY27 Earnings Call of Sai Silks (Kalamandir) Limited. As a reminder, all participants will be in 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 * and then 0 on a touch-tone telephone.

Please note that this conference is being recorded. I would now like to hand over the floor to Ms. Garima Singla from Go India Advisors. Thank you, and over to you, ma'am.

Garima Singla: Thank you. Good morning, all. It's my pleasure to welcome you on behalf of Sai Silks (Kalamandir) Limited. Thank you for joining us today for the Q2 and H1 FY27 Earnings Conference Call. Today on the call, we are joined by Mr. Bharadwaj Rachamadugu, CEO; and Mr. K.V.L.N. Sarma, CFO. Please note that today's discussion may include certain forward-looking statements.

Therefore, they must be viewed in conjunction with the risks that the company faces. I now invite Mr. Bharadwaj to present the company's business outlook and performance, after which we will open the floor for Q&A. Thank you, and over to you, sir.

B. Rachamadugu: Thank you, everyone. And good morning, ladies and gentlemen, and a very warm welcome to the Sai Silks (Kalamandir) Limited Q2 and H1 FY27 Earnings Conference Call. Before we begin, I would like to extend my warmest wishes to all of you and your families on the occasion of this festive season. May this auspicious period bring happiness, prosperity and good health to everyone.

I hope you have had an opportunity to review our financial results and investor presentations available on the stock exchanges as well as on our company's website.

Over the past two decades, Sai Silks has evolved from a single saree store in Hyderabad into one of South India's leading organized ethnic wear retail platforms built on customer trust, deep regional understanding and a commitment to preserving India's rich textile heritage.

Our focus remains on scalable retail and sustainable growth, building a more productive and profitable retail network through differentiated brands, operational efficiencies and disciplined capital allocation. The first half of FY27 witnessed a challenging discretionary consumption environment, particularly in the wedding and occasion-led categories. Q1 was impacted by Adhik Maas, while Dussehra-led festive momentum, which had commenced in September last year, shifted to October this year.

This calendar shift, coupled with a relatively high base in the corresponding quarter, weighed on consumer demand and our quarterly performance. Against this backdrop, our financial performance demonstrated resilience. Q2 FY27 revenue stood at INR 434 crore compared with INR 444 crore in Q2 FY26, representing a decline of about 2.3% YoY. Gross profit stood at INR 183 crore, with gross margin improving by 20 basis points to 42%. EBITDA stood at INR 62 crore with a margin of about 14.2%, while our PAT stood at INR 31 crore, translating into a PAT margin of 7.2%.

Encouragingly, sequential performance improved with revenue growing 15.7% and EBITDA increasing 18.8% between Q1 and Q2, with EBITDA margin expanding by about 37 basis points over Q1 FY27. For H1 FY27, revenue stood at INR 809 crore compared with INR 823 crore in H1 FY26, representing a decline of about 1.7%.

Gross profit stood at INR 340 crore with gross margin maintained at 42%. EBITDA stood at INR 113 crore with an EBITDA margin of about 14%, while PAT stood at INR 57 crore, translating into a PAT margin of about 7%. The impact of subdued demand in the festive calendar shift was more pronounced in the same-store sales, with an SSSG decline of about 10.6% in Q2 FY27 and 9.2% in H1 FY27.

Nevertheless, our ability to sustain gross margin reflects the strength of our sourcing capabilities, pricing discipline and merchandise mix management. In preparation for the ongoing festive and wedding season, we have maintained higher inventory levels, ensuring adequate merchandise availability and a wider assortment to capture anticipated demand.

Most importantly, we remain net debt negative with a healthy cash balance of approximately INR 249 crore, providing financial flexibility to support seasonal working capital requirements and aggressive planned expansion. A key strength of our business is our diversified five-brand portfolio, serving consumers across all segments and all occasions.

Kalamandir catering to the middle class and upper middle class income segments, Varamahalakshmi focused on traditional silk and wedding wear, Mandir serves the premium ethnic wear segment. KLM Fashion Mall as ethnic value fashion segment, and Valli Silks offers affordable traditional ethnic wear. This differentiated positioning is enabling us to address a broad customer base while maintaining disciplined store economics.

Our expansion strategy continues to be cluster-led, with Karnataka remaining an important growth market this year. During H1 FY27, we opened six new stores, adding close to 56,000 square feet of retail space, while rationalizing

our portfolio through the closure of one KLM Fashion Mall store measuring about 20,000 square feet.

As of September 30, 2026, our store network comprises about 86 stores, spanning close to 820,000 square feet of retail area. Our 100% company-owned, company-operated model provides direct control over merchandising, inventory, and customer experience, while relationships with more than 4,000 weavers, artisans, and vendors support differentiated assortments and sourcing efficiency.

Guided by our PQRS philosophy, which is pricing, quality, range and service, we remain focused on merchandise planning, inventory efficiencies and improving productivity across our retail network. As demand improves and recently opened stores mature, we expect higher store productivity and better fixed cost absorption to support operating leverage.

Turning to our outlook. The festive season has been considerably brighter with improving consumer sentiment and stronger traction across markets. The shift in Dussehra into October coupled with favourable wedding calendar extending through the year end, and we are expecting a stronger demand in Q3, particularly all the format including KLM Fashion Mall as well as Varamahalakhsmi Silks.

We expect business momentum to normalize in the second half with a return to positive and double-digit same-store sales growth supporting our expectation of double-digit revenue growth for the full year. Alongside the anticipated recovery in demand, our continued focus on operational efficiencies, inventory optimization and improved store productivity should drive better operating leverage and support sustainable profitability.

India's ethnic wear market is largely fragmented and continues to offer significant long-term opportunities for organized retailers like us. This, when supported by rising consumer aspirations and increasing preferences for customer trusted brands. With a strong foundation built over two decades, our diversified brand portfolio and disciplined expansion strategy, we believe we are well positioned to capture these opportunities while creating lasting value for our stakeholders.

Before concluding, I would like to express my sincere gratitude to all our customers for their continued trust and loyalty, to our weavers, artisans and vendor partners for preserving the craftsmanship and quality that define our brands, and to our employees for their dedication and commitment. I would also like to thank our shareholders and investors for their continued confidence and support. With that, we can now open the floor for questions. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on a telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. We'll wait for a moment while the question queue assembles.

We have the first question from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, thank you for the opportunity. Sir, if I look at our business from a longer-term view, we used to do closer to our inventory turns of three times during FY18-FY20 period. That has reduced to closer to one and a half, two times right now. And so, the strategy of foregoing the higher margins, we've taken a hit on our balance sheet. So, if you can help us understand how we should look at our business going forward? And what kind of inventory turns do we expect to achieve in the medium term?

B. Rachamadugu: If you look at the inventory turn, the three-times turnover was even before our IPO because at that time, we had a completely different arrangement with a different company. And during the listing, we merged those two companies into one as per the BRLM's request. And considering all of that, our inventory has remained similar to where it is currently. In fact, over the last three years, we have continuously improved the inventory days by 20-30 days. And currently, as we speak, our average inventory holding in each and every store is much lower than what we used to have three years ago.

So that is on account of the structural change that we have done with respect to company restructuring. But the business, if you look at it, is a wedding-based and festive-led business. And in this kind of industry, it is always optimal to keep a larger inventory for us to be able to deliver such high revenue per square foot numbers. Therefore, the inventory seems to be a little bit higher. But then at the same point of time, we are also delivering the industry's best revenue per square foot.

Looking ahead, there are still possibilities and provisions for us to normalize. But specifically, when you look at Q2, because that is where we are, we will naturally have an inventory build-up by September 30. Again, in Q3 also, we will have an inventory build-up. This is on account of preparing for our festival and wedding calendar. Dussehra, as you know, fell in the second or third week of October.

And therefore, by September 30, we naturally had all of our inventories readily available in the store so that we are well prepared for Dussehra. In a similar fashion, we will also have the inventory prepared in our stores at the end of

December because of Sankranti and Pongal season. Because we take inventory at the end of the quarter, the number might look a little bit on the higher end, but broadly, inventory is a number that we need to look at YoY. And when you look at a YoY number, this is a number that will slowly get normalized.

Madhur Rathi: Got it. So, if I want to think, so what I understand is that we follow the strategy of taking the cash discount, we pay our vendors ahead of time, and that has led to higher inventory. So, I'm just understanding that two times inventory turns is not ideal for a retail business. So, if you can help us understand that, is there a possibility of or have you thought about increasing the payables so that we can make a leaner balance sheet and therefore maybe foregoing a few bits of margin, but that should make our balance sheet much leaner?

K.V.L.N. Sarma: Yeah. We will take all effective steps to improve the balance sheet by the year end. But during the course of the year, since the seasonality is the major factor where we have to achieve better productivities, better profitability, etc., changes on a month-to-month or year-to-year basis will occur. But definitely, there will be an effort to improve the balance sheet by the year end.

Madhur Rathi: Got it. And sir, we were trying to get into the silver jewellery in our store. So, what is the status of that? And how has that played out?

B. Rachamadugu: On the silver jewellery part, just to give you a brief on the entire business: The silver jewellery business is a part of our existing store network. We have identified some service area in our current existing bigger size stores, and we wanted to experiment with silver jewellery as a category and see if this category is growing. But our initial reports, from what we have seen over the last year to year and a half, didn't seem to have such great growth potential.

This business is something that we are okay to keep it in the existing stores itself, but we don't plan to expand majorly on the silver jewellery business because what has happened in the last one year basically is that silver prices have been fluctuating too much and the entire business is actually taking a nosedive.

And secondly, one more interesting category is emerging in the jewellery space, which is the fashion jewellery aspect. Customers are now choosing between fashion jewellery and gold jewellery, and because silver jewellery is standing somewhere in between, is not giving us such exciting results as ideally we would want to have to help us take aggressive decisions on opening stores.

With that, our investment in silver jewellery is very, very small. I think we have invested close to INR 6-7 crores in terms of the overall inventory. And even if you look at just the metal prices itself, it has appreciated by more than 50-60% from where we have initially started.

The business is self-sustainable so far. And rather than expanding aggressively in that business, we are trying to take it a little bit on the slower end. But in terms of absolute inventory level, we are net positive, and the business is doing decently fine.

K.V.L.N. Sarma: It should be seen as an effective utilization of the store area where we have some small excess space for utilization. And in specific stores where there is customer demand i.e., customers are inquiring for these things. So, though it's not part of the main business line,

an experiment in three places, and also a way to effectively utilize the space.

B. Rachamadugu: Yeah.

Madhur Rathi: Got it. And have you thought about a shop-in-shop type of model with a specific jewellery brand, so that the inventory risk is passed on to the brand and Sai Silks can just benefit for whatever incremental demand comes from our customers? Because it seems to be a very adjacent area, sarees and jewellery going together. So is that a possibility or have you thought on that?

B. Rachamadugu: So yes, I think you're right on the fact that sarees and jewellery are categories which are quite adjacent to each other, and both of them actually help each other out. That was the reason why we have started the silver jewellery business on the whole. But to answer your question on the SIS category in our existing stores: across all our existing stores, the average store size is around 6,000-7,000 square feet.

This is only possible when the store sizes are much bigger and there is a lot of space for us to offer to the SIS player in that category. And at this juncture, our saree inventory and the saree throughputs are much better than these players.

Two, when we have larger stores, we can focus and we can figure out that this is a category worth exploring. But when your store sizes are compact and when you need that minimum store size possible, we don't have the possibility to extend anything to the SIS players such as jewellery categories.

We have explored 1 or 2 options in the past to have a lab-grown jeweller be a part of our existing network. But then the challenge was the store fit outs and the store outlook, however it is being placed, we could not accommodate a comfortable space for him. And therefore, we had to go back to our traditional business plan.

But down the line, once the average store size increases, in select stores we can look at certain opportunities like that. But majority of our stores currently speaking are optimally planned to have the inventories at adequate levels. So

there is no space to give players like this the visibility. And SIS players need visibility because as soon as they walk inside the store, the opening area or the welcoming area is where they ideally want their setup to be put. And that is where the difference comes in. We have planned and positioned our stores only around sarees, and therefore, the limitation. Down the line, I think if there is an opportunity worth exploring, we would definitely consider it.

Madhur Rathi: Got it. And sir, just one follow-up --

Moderator: Sorry to interrupt, Mr. Rathi.

Madhur Rathi: Just a final question. So, SEBI has allowed open market share buybacks. And sir, since our share is trading at less than our book value, I would just suggest that the management look at a share buyback, either through the open market route or otherwise, so that it can be helpful for all our shareholders and the promoter shareholding can increase to 75%. So that's just a suggestion. Thank you so much and all the best.

K.V.L.N. Sarma: Even now, the share is trading at a 7-8 PE. A buyback is not an appropriate option, as it involves investing substantial funds. Instead, if we deploy these funds into the business itself, we can deliver much better results. So that's how we have viewed it.

And, broadly, I would consider that if the PE is above the industry average, then a buyback may be advantageous. But at the current levels of PE, the board discussed and decided that it is not an appropriate time for us to consider the share buyback options by the company.

Moderator: Thank you, sir. We request the participants to restrict themselves to two questions in the initial round, and rejoin the queue for more questions. The next question comes from the line of Sanket Kelaskar from 360 One. Please go ahead with your question.

Sanket Kelaskar: Thank you for the opportunity, sir. Sir, as you were mentioning that in H1, there have been certain challenges, namely Adhik Maas and the shift in festivals. So, can you quantify how demand was this Navaratri versus the same period last year? Also, if you can provide us SSSG for the same period for all the brand formats we operate. That's it.

K.V.L.N. Sarma: For the future, I mean, H2 should be highly encouraging because everything in the wedding and festival season has come into H2 only. So, we can confidently say that we will stick to our original projections that we have given at the beginning despite the small setback in H1.

B. Rachamadugu: So to elaborate on this, since the Navaratri season has ended and we are in the Diwali season, comparing last year's Navaratri with this year's festive growth, I think we have grown by more than 27-30% in the overall festive to festive business last year to this year.

So you can understand that the negative SSSG in the numbers we are declaring right now is primarily on account of the festive shift in terms of the calendar because last year's Q2 Dussehra has moved to Q3 this year. This is a technical change between one month and the other. But broadly, if you have to paint a picture on how this Navaratri has gone so far, it is not just about having a recovery in footfalls.

I think we have seen all KPIs grow. ASPs, ABVs and all metrics, across all formats, showed considerable growth. And we believe that this is going to continue because after Dussehra comes Diwali, and after Diwali, there is a continued wedding calendar. So therefore, with all of these factors considered, we are quite optimistic about not just recovering the lost SSSG, but also being able to deliver the initial target of our overall growth.

Sanket Kelaskar: That's good to hear, sir. So, my second question, as you are expecting double-digit SSSG in second half as well as double digit revenue growth. So can you list down all the factors that will drive this? And what are the initiatives which you have taken that will deliver such SSSG growth in second half?

B. Rachamadugu: See, I think fundamentally, the majority of this happened due to festive shift. And firstly, we are also trying to reconsider our pricing strategies to see, if there is a possibility there because of the increased pricing and because of the raw material increase, our overall product value is getting increased. And wherever it is impossible to pass on the increase to the customer, we are trying to see how much we can absorb. This is an undercurrent that we have been continuously working on from the last quarter onwards.

Secondly, I think the major factor fundamentally boils down to just Adhik Maas and the festive calendar moving from H1 to H2. These two factors are what will enable this. If you look at our new stores also, I think our new stores are in Tamil Nadu and Karnataka, and these stores also do perform well during the Diwali season. And unfortunately, it is not a like-for-like quarter-to-quarter comparison, and therefore, that is the reason why we are saying that we will be able to move this business to H2.

And the Dussehra festive demand growth compared to what we have done last year to this year is a testament to the analogy that we will still be able to recover this loss because a 30% growth from last year to this year is quite good. And this is a similar trend when you take all the formats together. Our KLM Fashion

Mall format also did deliver a much higher growth number compared to last year number. So with all of these things, in fact, we believe the customer sentiment is also getting back, and this will be able to continue at least till January-February. And that is where the majority of the festivals are actually positioned as well.

K.V.L.N. Sarma: And also, on the effort front, in this peak season, we have analyzed the areas where the productivities are lower and made an effort to reach out to the customers through advertisements, direct channels, etc. So that the visibility is created much better and the productivity in those areas improves - particularly in Tamil Nadu area where we thought we would need further visibility. We have made an effort on that front through advertisements etc. We expect that this year, productivity should improve on account of these efforts.

Moderator: Thank you, sir. We have the next question from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Hi, good morning, everyone. So, my first question is, you talked about very good ASP that you're expecting with SSSG. At the start --

B. Rachamadugu: Can you please repeat your question? I think I lost you in between.

Dhwanil Desai: Yes. Sir, I think you talked about a very strong H2 with double-digit SSSG coming through. At the start of the year, we were expecting 15% kind of a growth for the full year considering that 5% will come from SSSG and 10% will come from the store addition. So are we on course to that? And in order to do that, you actually have to grow by 25-30% over last year. How feasible is it given the scenario that you are seeing today?

K.V.L.N. Sarma: We need to achieve double-digit growth in SSSGs because we have to offset the negative SSSGs in the first half and then give the desired overall SSSGs around 5% on an annual basis. So we are confident that second half, we'll see better SSSGs, which will meet the company's overall annual target.

Dhwanil Desai: So we are still thinking around INR 1,900 crore of top line with 9.5% PAT margin. Is that a fair way to look at it?

B. Rachamadugu: See, last time when we mentioned that somewhere between INR 1,850 crore and INR 1,900 crore is where we should end up at, and we're sticking to that. There are no changes. It's the overall turnover that we have mentioned, and we will stick to that. There are no changes, and we believe that it's quite possible from where we currently stand.

Dhwanil Desai: Got it, sir. And I think we were looking at some margin improvement at EBITDA level and slightly better improvement in PAT margins. So that also will come through with the scale and growth coming back, right?

B. Rachamadugu: See, in the half year, because of negative SSSGs, you are seeing these kinds of numbers. But I think, in the second half, we should considerably improve. Because you would naturally expect in a double digit --

Dhwanil Desai: Expect around 17.5-18% margin in H2.

K.V.L.N. Sarma: Even last year also, we were achieving those kinds of EBITDA margins. And with increasing activity and productivity, we should expect that in the second half.

Dhwanil Desai: Got it. And the second question is on the KLM side. So KLM, generally, over a longer period, I'm not talking about particular quarter or half year. But has been going through a challenging time for the last two, four years, not much growth is happening. We are also not adding stores. And our positioning given that a lot of value retailers have come up, which focus only on value. So, given that, how are you thinking about KLM? And how do we ensure that KLM doesn't drag down company-level SSSG and profitability?

K.V.L.N. Sarma: This year, KLM is on the path of recovery, and we should see a marked improvement in KLM performance. Perhaps, it would be an appropriate time for us to discuss KLM at the end of the third quarter where there can be a clear path towards the recovery, and we can confidently tell you how it will happen.

Dhwanil Desai: But any interventions that you are making to ensure KLM continues to at least deliver positive SSSG? What are the things or steps that you are taking? If you can talk about that?

K.V.L.N. Sarma: When we are saying it is improving, then, obviously, it is with our interventions only; we are making a specific effort to improve the KLM's operations, thereby, it will contribute better than what it was contributing last year, yes.

Dhwanil Desai: And, this quarter, the presentation was not out. So, I'm not sure whether it was delayed or anything. But if you can put that out, it will be very helpful.

K.V.L.N. Sarma: It is uploaded on our website, There's a small transition within the company so there might be a small delay, but it is right now available on the Company website.--

B. Rachamadugu: I think the PPT was uploaded yesterday evening itself. But yes, if there are any issues, please do let us know. We'll try to share it with you.

Dhwanil Desai: Yes. I'll come back in.

B. Rachamadugu: Thank you.

Moderator: Thank you. We have the next question from the line of Resha Mehta from GreenEdge Wealth Services. Please go ahead with your question.

Resha Mehta: Yeah. Thank you. Diwali wishes to Bharadwaj and the team. So I have a couple of questions. So, first on the growth that you spoke about, right, that H2, we are seeing good momentum with Diwali, right?

So what is the downside risk to this as we go ahead and especially in the context of poor rainfall, as we do have our footprint in some micro markets, which are agrarian in nature. So just your thoughts on the poor rainfall impact on demand possibly going ahead?

B. Rachamadugu: See, I think the downside, honestly speaking, the market is still showing signs of recovery. I think we had one of our best Dussehras so far. And the Diwali season is also one of the best Diwalis that we've had in the company. So, I was also having a little bit of a doubt whether the El Nino effect will have a lasting impact on the consumer spends this year.

I also thought maybe the MDR charges on UPI also could have some impact in the overall profitability. But fortunately, all these things have been pushed to later half of the year. So far, I don't see anything material that could potentially hamper. There are minor issues, like the cyclone in Andhra, where we had to close down stores for a day. These are things that took a day off from the overall business.

But we don't anticipate anything in particular on that front; there are no reasons I can foresee at this juncture that could stop us from reaching the targets we wanted.

K.V.L.N. Sarma: In fact, our major markets like Andhra Pradesh and Tamil Nadu have an inverse El Nino effect because they had a lot of rain of late. We do not think that the crop, etc., will get affected because of the general el nino effect—and we are confident that these two markets, are going to be our major markets in the next two, three months.

Resha Mehta: And in terms of the wedding calendar, so are the dates adequate versus last year? Or how do they typically pan out?

B. Rachamadugu: Yes, ma'am. I think the dates are adequate. I think the wedding date outlook is something that I have given earlier as well. We are having a healthy pipeline of wedding dates.

It is evenly spread out as well, which is a very positive sign on the overall wedding dates calendar. And we see the majority of our wedding dates falling

in Q3 and to a certain extent falling in Q4. The only difference that we anticipate would be in Q4, wherein the Ugadi season, which is in Karnataka, is delayed by a couple of days and moves into Q1 of next year. But again, coming back to the wedding date analogy here, I think it is evenly spread out and having a healthy calendar. A few more dates come back to what we had last year.

K.V.L.N. Sarma: And in fact, I saw a report where next year looks more promising. There are around 63-65 wedding dates in a year generally. Next year, it seems we have about 98 days just as per that report. But this year, the wedding dates are more even in the second half and are in line with our expectations.

Resha Mehta: And on the inflation side, right?

Moderator: Ms. Mehta, could you please rejoin the queue?

B. Rachamadugu: We can take one last question. Yes, ma'am, please go ahead.

Resha Mehta: Thank you. So, just a quick one on the inflation side. I think most apparel players are seeing inflation in fabric. So how are we seeing inflation in our portfolio? How are we managing that? What price hikes, if any, have we taken on a blended basis? And lastly, the competition, I think last time you spoke about some regional competition in AP and Telangana, which reduced footfalls in our stores. And we were seeing consolidation happening. So could you comment on regional competition? These two questions --

B. Rachamadugu: Sure. On the regional competition part, let me take that question first. So there are people who are opening stores; even in late Q2, we have seen considerable store openings happen.

But the interesting thing currently happening in the market is a lot of people are now putting up exhibitions. So they're putting up a small -- they're taking a function hall, and they're trying to put up a lot of exhibitions in order to move the sales and that clearance-exhibition kind of format is what a lot of people are putting up. That is happening across AP and Telangana this year, and we are anticipating that this will continue during Q3 and Q4 as well.

What we have done is we have countered that by having very interesting advertising and marketing strategies to be able to go at a store level. And those advertising efforts actually paid off during the Dussehra season, irrespective of the fact that these exhibitions are out there in the market. While in broader terms, competition will sometimes steal footfall by a bit, this Dussehra, I think we were able to counter that by having aggressive marketing campaigns that we've had. And therefore, we were able to have a very good festive so far.

On the price increases, I think broadly, raw material prices have increased quite a bit, close to 5-6%. And we are trying to price as best as possible and pass it to the customers. That's a continued strategy; at every store, we try to ensure that the customers are not walking away from the stores because of increased prices.

One major element that we will always focus on is that, no matter how raw material prices move up and down, we always ensure that the customers find our products cheaper than what they could find at a nearby or competing store. That would be the fundamental analogy before we do our pricing strategies.

Resha Mehta: Understood. Thank you so much.

B. Rachamadugu: Thank you.

Moderator: Thank you. We have the next question from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity and good set of numbers considering that the dates and festivities have shifted this way. So the first question is with regards to Tamil Nadu. Since we were not able to go through the presentation, I have just now checked. It is there on the website. It wasn't there on the exchanges.

So I've not been able to go through the entire presentation properly. So on Tamil Nadu, you had guided for the Varamahalakshmi stores to scale from about INR 35,000 per square foot towards INR 45,000-48,000 per square foot by the end of FY27. So till H1, what have the numbers been from the Tamil Nadu stores? And how do we expect further productivity gains to come in at Tamil Nadu? And what will drive that?

K.V.L.N. Sarma: See, Tamil Nadu currently in H1, we reached about INR 36,000 per square foot . We have identified certain stores where the visibility -- vis-a-vis productivity can be improved. Where it's lower, we made an effort to create further visibility through advertisements and other means.

But in H2, normally, the productivity should increase, even subsequent productivity should also increase. And with these efforts that we are making in Tamil Nadu, there will be an overall improvement. There should be a substantial improvement by year end in Tamil Nadu as well alongwith other states..

Rahul Jain: Sure. And in the last few store additions, Kalamandir format in Bangalore and Mysore, that has been dominating the square feet addition and the store addition. So are we seeing some kind of growth which is happening in Karnataka? And there, the store addition has been in Kalamandir, not in

Varamahalakshmi. So just to understand the strategy behind this, what is driving this?

B. Rachamadugu: See, when we try and put up stores,the analogy or logic is that we wanted to have multiple formats that we would want to open in one location. Pre this year, I think last year, by the end of last year, if you look at the overall store count in the statewide store count, Karnataka always operated at a lower store count compared to Andhra and Telangana despite having huge potential. That is what we have activated this year. And in the previous two years, Tamil Nadu took a leading front in terms of the overall expansion.

While we try and do the expansion, the logic is that once we have expanded with that particular format, after we have our learnings in that specific area on wherever we open, it is time for us to expand with a newer format.

So what we would ideally want is, you know, in Bangalore, we have opened -- there are only a very few Kalamandir stores and even the number of stores overall in Karnataka was much lower. And therefore, we have actively planned to open Varamahalakshmi Silks stores as well as Kalamandir stores as much as possible in these markets.

Now, I think we will slow down a little bit in terms of the Karnataka expansion while we start actively expanding into Tamil Nadu again. So the logic is simple. I think we would stick to the idea of a cluster-led expansion model, wherein we identify one location and we penetrate with one brand. And slowly, once the one brand starts maturing, we will ideally start adding the second brand. This gives us operating leverage with respect to warehousing and administrative leverage.

And that has been the model even if we -- right from the beginning, that is how we have always been working upon. Now, currently, what we will ideally be doing is, like, we write -- though we wanted to focus on the core markets, we are actively exploring newer markets, which are outside of these four states that we are currently looking at.

Probably very soon you should be able to see us informing or notifying the market that we are opening our stores into newer territories, could be Maharashtra, Kerala and other markets as well. So again, the logic will be that we will open a few stores, look at how the stores are performing, understand the consumer behavior and then slowly start expanding and aggressively adding new store formats.

So that is broadly the logic on how we would look at the store expansion front. There is no limitation on opening Varamahalakshmi stores versus Kalamandir stores. We cater to five different consumer segments, and the goal is to add

these formats based on that particular market. With that being said, Varamahalakshmi Silk stores will continue to open in the years to come as well.

Rahul Jain: And just to clarify with regards to the margin guidance for the current year, earlier when we had given a target of around INR 1,850 crore of sales, we had mentioned that EBITDA margin for the entire year FY27 should be somewhere between 17.5-18%. In response to one of the earlier questions, you did allude to 17.5-18% margins. So are we talking about those margins for the year as a whole?

K.V.L.N. Sarma: I would suggest that we discuss this at the end of Q3. Looking at the current level of operations, we hope to do it, but we will be able to say this confidently at the end of the quarter.

Rahul Jain: Sure. And just one last question, sir, with regards to Valli. So post the end of the last year, we haven't expanded on the Valli stores, and it's almost a year now since opening the Valli stores. So could you share some details on the unit economics of this particular format with regards to the EBITDA margins, with regards to the IRRs and then the sales per square feet, the payback periods for the Valli format? And going forward now, do we start putting up stores again?

K.V.L.N. Sarma: we are waiting for the valli format to mature because they were opened only last year. Valli format, basically, is designed to be in line with the Kalamandir format. By this year end, we would know broadly.

Rahul Jain: Fair enough. Thank you so much, sir, for the insights, and wish you all the best. And I wish you all a very happy Diwali.

K.V.L.N. Sarma: Thank you very much.

Moderator: Thank you. Due to time constraints, that was the last question for the day. Now I hand over the floor to the management for closing comments.

B. Rachamadugu: Thank you, everybody, for dialing in and being a part of our SSKL story. From where we currently stand, we are having a very exciting and encouraging festive and wedding quarter. Looking forward to connecting with you all in the next quarter earnings call. Thank you so much for connecting and season's greetings to you all.

Moderator: Thank you, sir. Ladies and gentlemen, this concludes the conference for today. Thank you for your participation and for using DSNL's conference call service. You may disconnect your lines now. Thank you, and have a pleasant day.