Siyaram's®
SIYARAM SILK MILLS LIMITED

Date: 03rd November, 2026

To,

BSE Limited, Phiroze Jijibhoy Tower, Dalal Street, Mumbai **Scrip Code: 503811**	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 **Company Symbol: SIYSIL**

Sub: Transcript of Analyst / Investor Meet held on 28th October, 2026

In nexus to the captioned subject and in terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed is the Transcript of the Analyst/ Investor Meet held on 28th October, 2026.

The same will also be available on the website of the Company www.siyaram.com.

This is for your information and records.

Thanking you,

Yours faithfully,
For SIYARAM SILK MILLS LIMITED

Mahipal Samayalal Thakur
Digitally signed by Mahipal Samayalal Thakur
Date: 2026.11.03 15:19:29 +05'30'

Mahipal Thakur
Company Secretary

Encl: a/a.

“Siyaram Silk Mills Limited Q2 FY '27 Earnings Conference Call”

October 28, 2026

MANAGEMENT: **MR. GAURAV PODDAR – PRESIDENT AND EXECUTIVE DIRECTOR, SIYARAM SILK MILLS LIMITED**
MR. ASHOK JALAN – SENIOR PRESIDENT AND DIRECTOR, SIYARAM SILK MILLS LIMITED
MR. SURENDRA SHETTY – CHIEF FINANCIAL OFFICER, SIYARAM SILK MILLS LIMITED
MR. DINESH JAITHLIYA – VICE PRESIDENT, FINANCE, SIYARAM SILK MILLS LIMITED

MODERATOR: **MS. DEVANSHI DADHICH – MUFG INTIME**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY '27 Earnings Call of Siyaram Silk Mills Limited hosted by MUFG Intime.

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 *, then 0 on your touch-tone phone.

I now hand the conference over to Ms. Devanshi Dadhich from MUFG Intime. Thank you and over to you.

Devanshi Dadhich: Good afternoon, ladies and gentlemen. I welcome you to the Q2 and H1 FY '27 Earnings Conference Call of Siyaram Silk Mills Limited.

To discuss this quarter's performance, we have from the Management, Mr. Gaurav Poddar - President and Executive Director; Mr. Ashok Jalan - Senior President and Director; Mr. Surendra Shetty - Chief Financial Officer and Mr. Dinesh Jaithliya - Vice President, Finance.

Before we proceed with the call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risk and uncertainty. For more details, kindly refer to the Investor Presentation and other filings that can be found on the company’s website.

Without further ado, I would like to hand over the call to the management for their opening remarks and then we can open the floor for questions and answers. Thank you and over to you, sir.

Gaurav Poddar: Good afternoon, everyone and thank you for joining us today for Siyaram Silk Mills Limited Q2 and H1 FY '27 Earnings Conference Call.

As we approach the festive season, I would like to extend my warm wishes to all our shareholders, investors, analysts and stakeholders for a happy, healthy and prosperous Diwali. We are pleased to have you as we discuss the company's performance and key developments during the quarter and first half of the year. We trust you have had the opportunity to review our financial results and investor presentation which have been made available on the stock exchanges and on the company's website for your reference.

Siyaram Silk Mills Limited has built a strong reputation as one of India's most trusted names in premium fabrics, apparel and textile products. Backed by decades of expertise, a diversified brand portfolio and an extensive distribution network, the company continues to cater to evolving consumer preferences across categories. While remaining firmly rooted in its rich textile heritage, the company is advancing its Siyaram 2.0 journey through a sharper focus on design, merchandising and retail-led growth, expanding its presence in the value fashion and ethnic wear segments. Our retail growth strategy continued to make steady progress during the

first half of the year, supported by the measured expansion of ZECODE and DEVO across key markets. As on date, we have 38 ZECODE stores and 23 DEVO stores, taking the total store count to 61 stores as against 70 stores that we have guided. We are confident that we shall be able to close the store count at 70 stores across the two formats by FY '27. Importantly, this expansion continues to be funded entirely through internal accruals, reflecting our disciplined approach to growth and capital allocation.

Coming to the overall industry environment, Despite uneven monsoon and increasing inflationary pressures in key raw materials, the demand across the textile and apparel sector remained broadly stable during the first half of FY '27. Retail activity received support from seasonal consumption and occasions such as Raksha Bandhan and Onam. We also continue to see opportunities in Tier-2 and Tier-3 markets, where rising aspirations and expanding reach of organized retail are supporting consumption. With a larger part of the festive season following in the next quarter, a significant portion of the festive-led consumption is expected to be reflected in Q3. We are also optimistic of the upcoming festive season and it will give a boost to our performance and we also revise our revenue guidance to 14%-15% for this year.

We at Siyaram continue to execute our strategic priorities with discipline and agility. Our focus on product innovation, retail expansion and brand development enables us to strengthen our market position while creating a strong foundation for future growth. Our company has delivered another quarter of strong performance with total income of Rs. 827 crores in Q2 FY '27 compared to Rs. 719 crores in Q2 FY '26, a growth of 15.1%. For H1 FY '27, total income stood at Rs. 1,293 crores as against Rs. 1,118 crores, growth of 15.6% in the corresponding period last year. Despite a relatively measured demand environment, we continue to remain focused on driving sustainable growth while maintaining prudent financial management and operational discipline. In line with this commitment, the Board of Directors has approved first interim dividend of Rs. 4 per equity share of Rs. 2 each in FY '27. This reflects the company's disciplined approach to rewarding shareholders consistently over the years. We will continue to execute our strategy with discipline while creating long-term value for our stakeholders.

On that note, let me invite our CFO, Mr. Surendra Shetty to take you through the financial highlights and key operating metrics for the quarter. Thank you.

Surendra Shetty: Thank you, Gaurav ji and good afternoon, everyone. Let me take through the company's standalone financial performance for the quarter and half year ended September 30, 2026.

For the Quarter 2 Financial Year '27, the total income stood at Rs. 827 crores compared to Rs. 719 crores in Quarter 2 of Financial Year ‘26, excluding non-recurring other income of Rs. 24 crores.

During the quarter, Fabrics contributed 77% of the revenue while Garments accounted for 16% and Yarn and others contributed 7%. EBITDA for the quarter stood at Rs. 131 crores in Quarter 2 of the Financial Year ‘27 compared to Rs. 121 crores in Quarter 2 of Financial Year ‘26. Profit

after tax for the quarter stood at Rs. 75 crores in Quarter 2 of Financial Year '27 as against Rs. 87 crores in the corresponding period of the last year.

For the first half of Financial Year '27, total income stood at Rs. 1,293 crores compared to Rs. 1,118 crores in the first half of Financial Year '26. EBITDA for the period stood at Rs. 170 crores while profit after tax was Rs. 86 crores. The company's balance sheet continues to remain healthy, supported by prudent financial management and disciplined approach to capital allocation. Our debt-equity ratio as of September 30, 2026 stood at 0.58.

With that, I conclude my remarks. We would now be happy to take the questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dev Gulwani from Care PMS. Please go ahead.

Dev Gulwani: Good afternoon, Gaurav sir. Congratulations on a great set of numbers despite the delayed festival season and you have even increased the revenue guidance. Sir, first question is what was the volume growth and value growth this quarter in the Fabric segment?

Gaurav Poddar: In general, as we mentioned over the previous few calls, we don't look at it as a breakup of value and volume because there is a change in mix of suiting and shirting that keeps evolving over a certain period of time. However, just as you asked in the Fabric business, roughly the volume percentage has been an increase of roughly 2.5% and value has been roughly 11%. But again, it is better to just look at an absolute value rather than looking at a volume mix and a breakup of volume and value.

Dev Gulwani: And what price hike has the company taken in current quarter to offset the impact of higher raw material prices?

Gaurav Poddar: As we mentioned in the last call as well, raw material fluctuation has been quite drastic and that depends on a commodity price and demand supply scenario to that extent and that happens in a more immediate manner. However, as a branded player, we face the consumer through a channel. So, it is a branded consumer product and we cannot follow the exact same trend of raw material pricing going up as well as going down. So it is a more gradual approach to price hike and I think in over the last 6 odd months, we have cumulatively taken a price hike of about, I think between 4%-6% in that kind of range. And that happens in a very gradual manner and it takes a larger period of time to absorb everything. The raw material side, looking at the geopolitical tension at the moment still remains uncertain. So, one has to wait and watch how much, what needs to be done because there is even a chance everything settles down for things to correct. So we wouldn't want to overdo too many things and that is why also it helps to be taking a gradual approach.

Dev Gulwani: And what was the reason behind declining gross margin? So, majorly it is through raw material inflation, but also the contribution of ZECODE and DEVO is also declining the gross margins?

Gaurav Poddar: So, largely as you mentioned, it is largely the impact of the raw material pricing that has had an impact on the gross margin and EBITDA to that extent. And for DEVO and ZECODE, we maintained 150 basis point maximum drop in EBITDA and throughout the year, we will hit that number. So we are quite confident of matching the guidance that we have given.

Dev Gulwani: And what was the revenue contribution from ZECODE and DEVO this quarter?

Gaurav Poddar: In total, if you look at the first half of the year, then the retail ZECODE and DEVO business together has contributed to about in the range of Rs. 65 crores to the topline.

Dev Gulwani: And if you can provide only from ZECODE for this quarter?

Gaurav Poddar: We haven't been giving you breakup of these numbers, but the large part of the revenue comes from ZECODE.

Dev Gulwani: And the company has also opened 17 stores in the first half. Given the pace of expansion, can we expect the company to achieve 75-80 stores by the end of FY '27 compared to the guidance of 70 stores?

Gaurav Poddar: At the moment, we are very confident of achieving the guidance of 70. We have hit already, I think 61 and things on track to go past 70. Now, the fact of the matter is that a lot of these properties are built to suit and they are in different stages of construction and therefore giving an accurate number sometimes delays things. So we would stick to this number of 70 and then let us see how it goes and we will keep you updated on the progress.

Dev Gulwani: Thank you, sir.

Gaurav Poddar: Thank you.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.

Dixit Doshi: Thanks for the opportunity. I think you said that retail sales was Rs. 65 crores. So, if I am correct, it was Rs. 30 crores in Q1. So it is more or less kind of flattish compared to Q1. Any particular reason for that? Because we have opened new stores also and also some festivals were there in Q2 as well?

Gaurav Poddar: So, I wouldn't look at it as a quarter-on-quarter number. This comprises obviously of ZECODE as well as DEVO. If you recall in the first quarter, particularly in April, there was a very good wedding season as well. So, we cannot look at it on a quarter-on-quarter basis. We have given a guidance of approximately Rs. 160 crores by the end of the year, which we are very confident of achieving.

Dixit Doshi: And now that it has been 2 years, we started this retail operation. Can you share any more metrics? Is it possible to share more metrics of the retail business?

Gaurav Poddar: So, we have been indicating that this season now, we are just approaching the festive season in this quarter. And we had the first festive season last year, but that was on a very small base. I think about totally less than 20 stores, both of them put together. So, this is going to be the first festive season where we have some kind of a store volume to talk about. And we want to wait till the end of March before we can share something. And I think that the progress that we have made qualitatively, if I speak, has been very positive and we are very encouraged with the feedback. And incrementally, we have made a lot of learnings and implemented those learnings and seeing results of those learnings. So we are very happy with the progress we have made in a short time and we are very optimistic about the retail business.

Dixit Doshi: And in ZECODE, now we have 38 stores. I think we started with Bangalore, but we were planning to go outside Karnataka as well. So have we done any expansion outside Karnataka? And how has been the response there?

Gaurav Poddar: So, as you rightly said, ZECODE, we started with Bangalore and Karnataka. So, now, I think about 19-20 of these stores are within Bangalore and suburbs itself. About 10-12 stores are in rest of Karnataka. And then we have opened Hyderabad and Chennai as indicated in the last call. And we have, I think, about 3-4 stores in Hyderabad and 2-3 stores in Chennai that we have opened. And incrementally, the store openings will be largely in these two areas apart from what more we find in Bangalore.

Dixit Doshi: And have we finalized anything in terms of store expansion for next year?

Gaurav Poddar: No, I think we are looking this year for the moment. And at the end of this year, in the call, we will give you a guidance for the next year. Of course, there will be store expansion, but we will be able to give you a more concrete number by the end of the year.

Dixit Doshi: And you did mention that in earlier calls that for ZECODE, we have to constantly do the expansion. But DEVO is a kind of model where after a certain point, you can wait for stores to become profitable and then you can expand aggressively. So, is it fair to assume that for next year, most of the expansion will be ZECODE?

Gaurav Poddar: Yes, that is fairly a correct assumption. So, for example, by the end of this year, DEVO will have approximately in the range of 22-25, something like this kind of number of stores, which we feel is a good number to be able to run an operation with. And these DEVO stores are already focused in North India, so Delhi, UP, Punjab and Rajasthan. And so, it helps us to be in a particular cluster with a particular kind of taste. And for ZECODE, like you mentioned, on our previous calls, we said that we need to have a faster pace of expansion just to be able to manage buying at those volumes and being able to turnaround product at a quick pace because we are in the fast fashion business. So most of the expansion next year is going to be ZECODE.

Dixit Doshi: And last question from my side is, any rough timeline by when the preference shares will be listed?

Surendra Shetty: As of today, looking into the circumstances, we can say around 6 months minimum it will take.

Dixit Doshi: 6 months more.

Surendra Shetty: Minimum.

Dixit Doshi: That is it from my side. And just a suggestion that if possible by year-end, once we have more stores, seeing to Diwali, if you can share more metrics on the retail side by year-end, it will be very helpful. Thank you.

Gaurav Poddar: Thank you.

Moderator: Thank you. The next question is from the line of Santosh Shetty from LGC Capital. Please go ahead.

Santosh Shetty: Hello, sir. Just a single question, like you had mentioned that several ZECODE stores have already turned EBITDA positive. So has the number of EBITDA positive stores increased during Q2? And are you seeing a visible improvement in store level profitability as stores mature?

Gaurav Poddar: Yes. So thank you for your question. We are not tracking it on a store-by-store basis, as you are mentioning. We are looking at it as a more holistic number. And when I indicated that we are seeing some stores as being EBITDA positive, it was not to give a count indication. It was just to give a general directional kind of feedback, because we are not giving any quantitative numbers. And for some time, it will take some more time because the volume is very small now. So, yes, directionally, the positivity is there. The first half of this year has been much better than the first half of last year. And it is not just the old stores that we see that are improving in terms of the metrics, but even the newer stores with the learnings that we have and the new stores that we open, the sizes that we open, or the locations that we choose, we are using those learnings from our experience and opening better stores. So, in general, the mood is good and the feedback is good. The product is being accepted well. So, in general, we are very optimistic about ZECODE.

Santosh Shetty: Thank you so much, sir. Thank you for answering my question. All the best.

Gaurav Poddar: Thank you.

Moderator: Thank you. The next question is from the line of Nimish Verma from VeroxaSecurities. Please go ahead.

Nimish Verma: Good afternoon, sir. Am I audible?

Gaurav Poddar: Yes, we can hear you.

Nimish Verma: Sir, I just had two set of questions. The first one being, I think you have reiterated an upward revision in your growth guidance. What are the key factors behind this?

Gaurav Poddar: So, if you see the first half of the year, we have been able to hit about 14%-15% kind of growth numbers and that gives us confidence going forward. Along with that, the festive season is pushed to the third quarter, which was earlier in October last year. So, we estimate that to help us as well get some boost. And then the confidence going into the retail business also in the number we indicated, we seem to be doing as per that. And so, generally, we feel that we can achieve this 14%-15% kind of growth number. That is why we are happy to share that with all of you.

Nimish Verma: Got it, sir. And the second one would be, you had earlier indicated that Tier-2 and Tier-3 markets would offer a significant growth opportunity. How has the demand trend been in this market during the festive season?

Gaurav Poddar: The festive season is just starting out. But if you recall about 2 years ago, rural demand was really weak and that is one of our main markets for the traditional business, particularly the Fabric business. Over the last year and continuing to this year, we have seen recovery in that. So, Tier-2 and Tier-3 are very important for our Fabric business. Festive season has just started and we are optimistic that the wedding season and the festive season continues to do well in these markets.

Nimish Verma: Got it, sir. Thank you. That was all from my side.

Gaurav Poddar: Thank you.

Moderator: Thank you. The next question is from the line of Lohit Saini from Jay Ram Stock Brokers. Please go ahead.

Lohit Saini: Hi, sir. Thank you for the opportunity. I am new to the company. So, just wanted to know that how does the management differentiate ZECODE from existing fast fashion brands and DEVO from existing ethnic wear retailers? And how do you see the long-term revenue and profitability of both relative to the company's existing Fabric business?

Gaurav Poddar: So if you look at both these businesses, first of all, ZECODE and DEVO are in completely different market spaces with completely different consumers and different price points, different business altogether. But obviously, there is competition in both these segments. The apparel market in India, when you look at it, is a very large and fragmented market where no one player has a significant market share in the branded category in terms of consumption. The largest point of difference or the moat that we would like to say for both these brands and our overall business in terms of retail has been that since we come from a background of textile and the background of understanding yarn and fabric, we believe that we can provide a better product, we understand

product, we understand how the backend of the product works and that we believe is the biggest benefit that we have as a textile company going into retail. So, in terms of actual differences, I think that ZECODE and DEVO, both are Siyaram's interpretation of what fast fashion and ethnic wear should be for the Indian market and the Indian consumer as we understand it. There are a lot of players in both these markets who are doing a lot of good things, either they are national brands or even regional brands. There is a lot of competition and there is a lot of good competition as well. People are doing a lot of good work. So, we also have our eye out to understand what good is happening in the market, what the benchmarks that people have and we want to interpret that in our own way with our own product and our own values that come from the lineage of Siyaram.

Lohit Saini: Do you plan to go in the North of India? Any plan other than that?

Gaurav Poddar: In terms of DEVO, we have started with North of India and in fact, all our stores are based in North, Delhi, NCR, UP, Punjab and Rajasthan. For ZECODE, we started with South of India and for the moment, we are focusing on the South of India. It is a large cluster and we are focused on a clustered approach as that is how we started and that we believe very firmly in. So, as these clusters grow, then we will keep informing you and keep moving ahead.

Lohit Saini: Thank you.

Gaurav Poddar: Thank you.

Moderator: Thank you. The next question is on the line of Suhani Singh from ROS Capital. Please go ahead.

Suhani Singh: Hello, sir. Good afternoon. So, I had one question. Given the encouraging response from the retail business, what are the milestones which were needed to be achieved before considering a more aggressive store rollout or franchisee-led expansion model?

Gaurav Poddar: Good afternoon, Suhani. So, as when we started out with this project, retail as a business has been new to the company. The product is something that we believe is our strength, but retail operations as a business is something that is new. We started out with two different teams and two different setups for DEVO and ZECODE because they are two completely different set of businesses. Of course, ZECODE is a fast fashion business which is a less cyclical business, less seasonal business, more throughout the year and in terms of just key metrics, there are so many things. It is not just one thing. One is that the brand is completely new for the consumer so it takes time for the brand to be a consumer awareness for these brands. But in general, we want to establish so many things together. We are setting up a completely different warehouse, completely different IT system. It is a whole new team and we are working on a very lean structure where it is almost like a startup when you look at how the business is being expanded. So, all those building blocks are being put in place. One of the things is not just the store as a consumer sees it, but also the supply chain and the backend of the operations that we want to solidify. So, that takes a lot of time and in the beginning when you start any business, particularly one that is as complicated as retail, there are a lot of errors and a lot of changes that need to

happen and the idea was that we need to do that on a smaller scale where it is more manageable and less impact on cost or profitability for the company. So, that is the idea. As we see progress in ZECODE, we will continue to open stores in ZECODE and DEVO we reached a certain store count to be able to make that more operationally efficient. But as we continue to see more progress, we will keep opening stores and keep updating you.

Suhani Singh: That helps, sir. Thank you.

Gaurav Poddar: Thank you.

Moderator: Thank you. The next question is from the line of Praveen Sharma, an Individual Investor. Please go ahead.

Praveen Sharma: Yes. Hi. Good afternoon. Am I audible?

Gaurav Poddar: Yes.

Praveen Sharma: Sir, thank you for giving me this opportunity. I have two questions. First is on this DEVO, also on the ZECODE, we are not offering products on e-commerce either D2C or marketplace, correct?

Gaurav Poddar: That is right.

Praveen Sharma: Yes. Because for DEVO, at least, I am calling from an experience wherein we needed certain things for the wedding, but it was not available. Travel in city like Delhi just to get, like Fab India and all they offer. So, I think it would be, if there is not a specific reason not to go for D2C model, at least e-commerce website, I think that should be enabled because that is not a cluster approach in DEVO.

Gaurav Poddar: Yes. Thank you for your feedback. See, e-commerce and website has been consciously kept out of the plan so far. It is not to say that that is never in the plan. Consumer today is omnipresent consumer where, they look at a D2C brand or a consumer facing brand in all formats and we recognize the importance of that. But this has only been about 2 years or less in terms of age for retail and there are so many things to do and we don't want to divert our focus into doing too many things at once. We are already running these two brands and we are focusing on a cluster and we are doing so many things at one time and that is why this is on the back burner. But eventually and when we do it, we will do it properly. That is the idea. So, I think that is something that we looked at in the future. It cannot be avoided for sure, but it is not in the immediate plan as of now.

Praveen Sharma: Because for DEVO, when you have a store, one in a city or two in a city, one can get the offering at D2C wherein it helps the customer. Once I visited the store, I know the quality and if it is enabled, one can actually buy it through the e-commerce channel very easily. So, that is just and I think that should be done at least for DEVO. The second question is, what is taking 6 months

of the time for listing these preferential? Is there a specific reason? And there is another question associated to it is, the interest will be payable from the date of allotment or once they are listed.

Surendra Shetty: See, interest is payable from the date of the allotment every yearly. And as far as the listing is concerned, necessary application with BSE and NSE has been made. As per whatever we are getting the feedback is minimum it takes around 6 months. That is the reason. So, we don't have any precedent for this. So we think that being given the knowledge to us. So, what we are telling that minimum 6 months it will take.

Praveen Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Binay Shukla from Phillip Capital India. Please go ahead.

Binay Shukla: Thank you for the opportunity. Sir, your first question is on CAPEX. So, you have guided for around Rs. 100 crores of CAPEX in 2027, including Rs. 46 crores for equal expansion. So, we just wanted to know how much of this have you spent in the first half of the year? And also, do you expect any changes to your CAPEX plan for the rest of the remainder of the year?

Gaurav Poddar: So, cumulatively, we have a CAPEX for the first half of the year of about Rs. 51 crores. We had indicated about Rs. 100 crores for the whole year and we believe that we will be in line with that number.

Binay Shukla: Thank you, sir. Just second and last question from my side that is on festive season. So, the festive season generally contributes significantly to annual sales. So, based on the trend seen so far, how has the customer demand been during the festive period compared to your expectation?

Gaurav Poddar: So, the festive season has just started. And so, we see that retail movement has seen a lot of uptake to follow the festive season and in terms of that. So, we believe that that will continue for the retail business, it is direct business. But for the wholesale and channel business, it is a lag that comes in. So, we believe that as dealer inventory starts clearing out, there is going to be demand. That is why we have increased our guidance to 14%-15% because we believe that we should have a good festive season ahead.

Binay Shukla: Understood, sir. Very good. Thank you.

Gaurav Poddar: Thank you.

Moderator: Thank you. The next question is on the line of Deepak Malhotra from CapGrow Capital Advisors LLP. Please go ahead.

Deepak Malhotra: Hi. Am I audible?

Gaurav Poddar: Yes.

Deepak Malhotra: Thank you. My question is basically regarding in terms of the earlier legacy business and the new business which the company has brought into. Now, when we look at the legacy business, you have been very strong in the fabrics and even doing very well in the garments. Now, as you enter into the new retail businesses, which is DEVO and ZECODE, there is already a lot of competition there. And when we see the existing players there, they have been really bleeding if we see that. I don't want to take names here, but even specialized players, they have been suffering heavily. Now, the larger players who have gotten to have again faced the brunt of the competition. And the retail expansion basically incurs at the end of the day, a large CAPEX. And then it also brings it into the Ind AS complications, which again basically gets into the way of valuing the company, the way it should be looked into. So my question is, with the kind of inflationary pressures which you are facing on the raw material front, how do you really see the competition landscape at present and your strategy going forward? Thank you.

Gaurav Poddar: So Deepakji, first of all, as you mentioned, the legacy business is something that the company has been doing for now almost 45 odd years. And in the Fabric business, that is some kind of a leadership position that the brand Siyaram enjoys and other brands in the company. We are present in terms of the rural markets, I think most of the retailers would have our brands on their shelves. And it is a brand that is known to most people in the country today. And we enjoy that kind of trust and the brand recall and we are very fortunate to have that. As we look forward to the next phase of growth for the company, we believe that retail is the next frontier and we believe that direct to consumer and particularly in channels where the company has not been present in, which is fast fashion as well as ethnic wear, was something as a big opportunity that is available. If you see the fast fashion industry as a whole, it is growing more than two times the speed of the regular apparel industry. There are several players, like you mentioned, and each player has their own strategy. But no single player is a large percentage of that market share. Even the largest few players would not be a very large number in terms of market share percentage. That gives a very strong indication of how fragmented the Indian market is and how large the Indian domestic consumption is. Today, in the apparel business, whether it is ethnic wear, fast fashion or any other category, a large part of the business in the apparel business is still unorganized. And that shift to organized retail is going to boost the market share for everyone, not just for us. Today, we are only 2 years old and a very small player in this retail business. But when we approach this business, we do it with our own strategy. That was one of the reasons for the conservative growth. We want to get the business right, get the model right on a smaller scale. We have indicated an EBITDA loss, drop down of EBITDA by 150 basis points. And we stuck to that number in the first year of the business and we have given a similar kind of number in the second year for this business and we are confident that we will achieve that. We have already indicated earlier that ZECODE, for example, has seen some stores which are EBITDA positive at store level much earlier than expectation. This is because we approach the business in our way. And we believe that we want to get the business right. We understand product. And retail is, of course, new for us. But we are making good progress in that. And as we open more stores, we use the learnings from previous stores. We use technology to help us expand this business. So while there is competition, there will be competition in whatever we do. But we believe that this is an important growth prospect for the company. And we will take

the company forward in the coming time. Last year, retail as a percentage was about 3% of the company's turnover. With the given Rs. 160 crores, that is going to increase to 5%, 6%, 7% of what the company will do this year. So we are very confident of this new project. And we are very conservative in terms of how we want to open stores so that it doesn't impact the bottomline too much adversely. Company is already generating enough cash flow. All the growth is happening through internal accruals. So we are in a well-positioned environment to be able to use the cash flow generated by internal resources to be able to expand the company into a new segment, which is related and which will take the company more consumer-facing.

Deepak Malhotra: Yes, but if we look starting either with garments, fast fashion or ethnic wear, I again don't want to get into publicly listed companies on a concall like this. But they are facing, I can tell you, tremendous pressure in terms of the CAPEX they have undertaken. We cannot see the ROIC on the same at all. And while your point is valid in terms of there being enough opportunity in the space in all these 3 segments, but if you look at the balance sheet and the profitability these companies are reporting, that is a challenge. So that is all I am trying to say. That is my concern actually.

Gaurav Poddar: So we are aware of the challenges of the market and how various people are approaching that challenge. We believe that there is value to be taken out from this segment. And that is why we have entered this segment. There is no point in entering a business without profitability. And that is something that as a company we value a lot in. So when we spend more money and do capital expense on a project, there obviously has to be some kind of return. This is a new business for us. But so far we have been very encouraged with the kind of response. And we have to approach it our own way and so far it seems to be the case.

Deepak Malhotra: So one last point. So how do you see the inflation which is seeping in the P&L numbers? Basically, what kind of recovery you see going forward, say over the next year or so? Because these are challenging times?

Gaurav Poddar: So it is very difficult to predict how the geopolitical scenario will pan out. Still, the scenario is quite unstable and therefore, it is difficult to give you a certain number. There has been a sharp increase in raw material prices. And as a brand, we have been able to pass on some part of it to the consumer. And that normally is a gradual process. So as and when we move forward, we see how things are and how things pan out and accordingly take the required decisions. We have always had an EBITDA guidance of about 14%. We believe that it is too early to change that guidance because there is a lot of uncertainty. This 14% obviously is without the 150 basis point drop. So far, we want to stick to that number and then see how it goes, obviously, with this uncertainty being there. But I don't think that, as the market pans out, if that is for everyone, so we have to as an industry face it and then take the required actions.

Deepak Malhotra: So if you were to say, sorry, on the last point, in terms of quantifying the raw material inflation, have you seen in the past also such instances because the company has such a longstanding history and how we were able to come out of that?

Gaurav Poddar: Yes, all these cycles are, they are all cyclical in nature, it can never be permanent. There have been many instances where raw materials have shot up drastically, COVID also being one of the most recent ones where there has been drastic increases, there has been absolutely no demand, and the company has come out of it even stronger than before COVID. So, I think the history of the company, the strong position of a company in the fabric in the traditional business, and the strong cash flow the company generates, helps us navigate these difficult times, and also helps us to establish new businesses like your concern earlier.

Deepak Malhotra: Thank you so much and wish you all the best.

Gaurav Poddar: Thank you so much.

Moderator: Thank you. The next question is from the line of Somya Raghuvanshi from Nirva Securities. Please go ahead.

Somya Raghuvanshi: Good afternoon, sir. Thank you so much for taking my question. Sir, management has stated that larger format for ZECODE stores were delivering better outcomes than smaller stores. Has this trend continued or does it influence your future store expansion strategy?

Gaurav Poddar: Yes, that is a trend that we are seeing very clearly because the main reason for that is that the product portfolio and the offering to the consumer that we have in ZECODE is a very large one. There is men's, women's, kids, there is beauty products, footwear, fragrances, there is a lot of variety. It is a complete lifestyle store. And to be able to give the consumer a better ambience and display everything in a proper way, we feel that that kind of store size is very important. Obviously, when you go to malls, then sometimes you have to compromise on that plus, you get a larger single flow plate, which helps us display better. So it is a mixed variety, but definitely the larger flow plates help us be able to present ourselves better.

Somya Raghuvanshi: Just a last question from my end. The retail business continues to require investment. While the core business generates strong cash flows, how are you thinking about balancing growth, investment, dividends, and future shareholder returns over the next 2-3 years?

Gaurav Poddar: So if I look at the history, then the company has been giving continuous dividend every year, and that has only been increasing over a period of time. That is what the company has been doing over the past so many years. Now, of course, this new retail business requires capital expense, but that capital allocation also is very prudent and in a very limited manner. We spend about Rs. 1-Rs. 1.5 crores of CAPEX of furniture and security deposit per store, and about 70-80 lakhs of inventory that roughly that a store needs. So that also is on a very conservative and a tight budget. So as we move forward, I don't see that the internal accruals, the cash flow generated by the company every year is significantly more than the requirement for the retail expansion. So, of course, how the dividend and how the returns pan out is something the board takes a call every quarter. But so far, we have been able to manage that well.

Somya Raghuvanshi: So that is it from my side.

Gaurav Poddar: Thank you.

Moderator: Thank you. The next question is from the line of Yash Mehta from Grit Securities. Please go ahead.

Yash Mehta: Hello. Am I audible?

Moderator: Yes, sir. You are audible.

Yash Mehta: Yes. So I have a few set of questions. So firstly, the EBITDA margins have declined Y-o-Y despite healthy revenue growth. So like, was this pressure primarily due to retail investments or gross margin contraction, higher employee costs or the marketing spends?

Gaurav Poddar: So the largest part of the decline in EBITDA has been the raw material costs that have played a part. Of course, retail has been a part to play, but that is well within our budget that we have indicated earlier. But the raw material has been the largest cause.

Yash Mehta: Understood. And also the retail expansion continues to be funded through internal accruals. So as the store network scales further, do you expect the funding strategy to remain unchanged?

Gaurav Poddar: That is something that we will have to take a call. So far, we have been indicating on an annual basis. This year, we have given a target to reach about 70 stores at the end of the year that we believe will be all internally funded. For the next year, we still have to devise and indicate a plan for opening stores. And accordingly, we will also tell you how that will be funded.

Yash Mehta: Got it. And lastly, so I just wanted to know, like are Tier-2 and Tier-3 markets continuing to grow faster than the larger cities? And also, how are the consumer spending patterns evolving over the premium and value segments?

Gaurav Poddar: So it is difficult to tell you whether Tier-2 and Tier-3 are growing faster than the larger cities, because the traditional business on the fabric side is largely in the Tier-2, Tier-3 cities, whereas the retail business that we have now is more metro oriented. Most of the stores are in Bangalore, Chennai and Hyderabad. So markets are looking good. The festive season, it seems promising. We have given increased revenue guidance, which indicates our confidence in the business and the market at the moment. So yes, we are very bullish on the guidance that we have given.

Yash Mehta: Got it. Understood. Thank you so much.

Moderator: Thank you. Due to time constraints, we take that as the last question. I would now like to hand the conference over to Devanshi for the closing comments.

Devanshi Dadhich: Thank you, and I would like to thank the management for taking the time out for this conference call today, and also thank all the participants.

Moderator: On behalf of MUFG Intime, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.