

SAI SILKS (KALAMANDIR) LIMITED

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Date: 19.05.2026

To Corporate Relations Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001, India Scrip Code: 543989	To Listing Department, National Stock Exchange of India Limited Exchange Plaza, C-1 Block G Bandra Kurla Complex, Bandra (E) Mumbai – 400 051, India Symbol: KALAMANDIR
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Dear Sir / Madam

Sub: Transcript of the Conference call held to discuss the results Q4 FY26 and FY 2025-26

With reference to the above-mentioned subject, we wish to inform that,

1. The Copy of Transcript of the conference call held on Wednesday, May 13, 2026 to discuss the results of the Quarter and year ended March 31, 2026 is enclosed herewith.
2. The Transcript also uploaded on the Company's website and the website link of the same is: <https://sskl.co.in/wp-content/uploads/2026/05/Q4-Transcript.pdf>
3. The list of management attendees is stated in the Transcript.
4. No unpublished price sensitive information was discussed in the call.

This is for your information and records.

For Sai Silks (Kalamandir) Limited

M.K.Bhaskara Teja
Company Secretary & Compliance officer
M.No: A39542





“Sai Silks (Kalamandir) Limited
Q4 & Full Year FY ‘25-‘26 Earnings Conference Call”
May 13, 2026



**MANAGEMENT: MR. BHARADWAJ RACHAMADUGU – CHIEF
EXECUTIVE OFFICER – SAI SILKS (KALAMANDIR)
LIMITED
MR. K.V.L.N. SARMA – CHIEF FINANCIAL OFFICER –
SAI SILKS (KALAMANDIR) LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to the Sai Silks (Kalamandir) Limited Earnings Call for Quarter and Year Ended March 31, 2026. 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 the date of this call. These statements are not the guarantees 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 the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

Today on the call, we have with us Mr. Bharadwaj Rachamadugu, CEO; and Mr. K.V.L.N. Sarma, CFO. I would now like to hand the conference over to Mr. Bharadwaj Rachamadugu, CEO of the company. Thank you, and over to you, sir.

Bharadwaj Rachamadugu: Thank you, Iqra. Good morning, everyone, and thank you for joining us today for the quarter 4 and full year FY25-'26 Earnings Conference Call of Sai Silks (Kalamandir) Limited. On behalf of the management team, I extend a warm welcome to all of our investors, analysts, shareholders, stakeholders who are joining on the call today. I hope all of you had an opportunity to review our financial results presentation and investor materials shared with the stock exchanges and are available on our website as well. Joining me today on our call is our Chief Financial Officer, K.V.L.N. Sarma.

FY26 has been an important and transformational year for Sai Silks (Kalamandir) Limited despite mixed discretionary demand environment and increased competitive industry intensity. We still delivered strong double-digit revenue growth, significant profitability improvement, sustained margin expansion and also focused on our retail expansion.

Before I move into our business performance, I would also like to briefly touch upon the broader industry environment and evolving consumption trends that are shaping the women's ethnic Indian market. The Indian ethnic wear and occasion-led market continue to remain structurally strong, which is supported by the wedding economy, the rising disposable income, premiumization and also the shift towards the organized retail from unorganized.

One of the biggest structural drivers continues to be the wedding ecosystem. India's wedding-led consumption remains highly resilient and wedding as well as the festive purchases continue to drive a significant portion of spending across retail categories. At the same time, organized retail also continued to gain market share across India.

Consumers are more aware today, increasingly are preferring brands and are trusting retailers due to the transparency that is available, better customer service, the omnichannel convenience

and the larger group of retail store network that they have. We're also seeing a strong growth coming from Tier 2 and Tier 3 cities, where rising aspirations, infrastructure development and brand awareness is creating meaningful long-term opportunities for organized ethnic retailers.

From a region standpoint, South India continues to remain one of the strongest ethnic wear markets in the country, particularly in categories such as sarees and women's ethnic wear, which aligns well with our core positioning and brand strengths. However, the industry is also witnessing heightened competitive intensity, faster fashion cycles, increasing digital influence, which has an impact on the purchase behaviour.

Overall, we remain very optimistic about the medium- and long-term opportunity in the Indian ethnic retail market. The structural demand drivers for the category remain firmly intact, and we believe organized players with strong brands, deep regional understanding and disciplined execution are well-positioned to benefit from this opportunity over the coming years.

Coming to our operational performance, I will first discuss the quarter 4 performance followed by the full year '26 highlights. During quarter 4, from a retail expansion perspective, we added approximately 24,000 square feet of retail addition during the quarter. We delivered a revenue of about INR419 crores, representing a growth of 5.1% Y-o-Y despite a relatively mixed consumption environment across certain mature markets.

Our gross margin stood at 42.08 compared to 41.71 last year, an increase of 37 basis points. Our PAT for the quarter stood at INR32.65 crores compared to INR13.51 crores last year, an increase of about 140% Y-o-Y. Coming to the full year FY26 performance. FY26, again was a significant year in terms of expansion, operational strengthening and profitability.

During the year, we have added 13 new stores and 1 extension store, taking our total network of our stores from 68 stores to 81 stores across 5 states. We added close to 78,600 square feet of retail space with a net retail addition of about 69,000, taking our overall retail area to about 785,000 square feet across 5 South Indian states.

For the full year, our revenue grew by 13.1% to INR1,654 crores compared to INR1,462 crores last year, while the same-store sales growth stood at plus 3%. Varamahalakshmi Skills and Valli formats led the growth majorly this year. For the full year FY26, our EBITDA grew by 128 basis points to 15.76 percentage compared to 14.48 percentage last year.

Despite the changing market environment, we continue to maintain healthy gross margins at 42.07 percentage, reflecting an improvement of 30 basis points over last year. Our PAT for the year grew significantly to INR141 crores compared to INR85 crores in the previous year, representing a very strong growth of nearly 65 percentage.

Even after considering the onetime tax impact in the previous year, our operational PAT last year was around INR105 crores. Against this INR141 crores PAT that is achieved this year, a substantial improvement of about more than 30% of PAT improvement demonstrated a strong operational efficiencies, disciplined cost management and overall profitability across the business.

Additionally, a few other metrics such as the ROE has improved from 7.78 percentage to 11.78 percentage, while the ROCE improved from 13.7 percentage to 16.7 percentage, reflecting stronger profitability and improved capital efficiency.

Overall, FY26 was a year where we successfully balanced expansion, profitability, operational discipline and strategic investments for our future growth. While looking ahead in 2027, one of the key priorities for us will be to be able to focus on walk-ins across underperforming catchments.

We have identified potential stores where the trends have softened and targeted hyper local marketing initiatives along with localized digital and on-ground campaigns. This will help us improve customer acquisition and engagement. From a merchandising standpoint as well, we are undertaking detailed assortment correction initiatives to improve alignment between stock mix as well as the consumer demand patterns. Thank you, and I now wish to open the forum for questions and answers.

Moderator: Thank you very much. We will now begin the question-answer session. The first question is from the line of Rahul Jain from Credence Wealth.

Rahul Jain: Sir, a couple of questions from my side. First of all, so how do we look at growth for the next year in terms of net square feet addition and also SSG given in the previous call, we had mentioned that we have a strong wedding season right up to some more quarter.

this quarter also, the wedding season have been good till now. Just to understand how do we look at the net square feet addition and overall SSSG so thereby what kind of revenue growth we are looking for FY27? That is my first question.

Bharadwaj Rachamadugu: See, in terms of revenue addition, I think last year, we've added close to 75,000, 78,000 close to about 10% of retail addition is what we have added. And this year, we tend to actually plan a little bit more aggressive store expansion. We have identified potential locations and the pipeline is more streamlined and solid this year.

Therefore, we should be able to expect at least 20% more than last year's square addition easily. However, I think probably after H1, if there's something else and additional stores might come up, I'll keep you posted. But at least for now, we should be able to expect at least 20% more than last year's square feet addition.

Rahul Jain: This was net addition, right?

Bharadwaj Rachamadugu: Yes. See, generally, our net addition and the overall addition is same. Just in this quarter, we have reduced the capacity. We did not close down any stores. We have reduced the capacity in one of our stores. And therefore, that negative 9,000 square feet is there. That's the first time I'm actually talking about the net retail addition. Otherwise, it's always the same thing. We don't have any store closures that we anticipate in this year.

But again, overall, to answer your question in short, yes, the net square feet addition in this year will be in the range of 100,000. On the SSSG front, the way we look at is we generally look at

the wedding calendar. The wedding calendar is positioned comfortably this year. There could be a small shift between quarters.

But overall, the number of wedding dates-wise seem to be healthy. This is, again, spread between 4 quarters of Q1 and Q2, Q3, Q4. So, we do anticipate a similar to a little bit better SSSG numbers than we've achieved this year. So that's with respect to our SSSG front.

And to your third question on your revenue guidance, I don't think with the proper stores that we are going to open, it will be difficult for me to give you a revenue guidance right now because as I did tell you, we are aiming at 100,000, but there could be chances where we might end up opening a little bit more as well.

Now keeping that in mind, our revenue targets will not have a right number if I can give you a number right now. But broadly, if I have to give you, it should be more than the guidance that more than what we achieved last year '25-'26.

Rahul Jain: And sir, with regards to the productivity at existing stores, so typically, we were targeting because Tamil Nadu has all the Varamahalakshmi stores. And we understand Varamahalakshmi is one of the best formats in terms of the growth. So, if we look at Tamil Nadu, today, the average square feet for the entire year is roughly around INR32,300. So how do we look at this number for the coming quarters? Because last 2, 3 quarters, it has somewhere been in the region of INR95 crores to INR98 crores?

Bharadwaj Rachamadugu: I mean, see, overall, Tamil Nadu averages are slowly picking up. See, the point here is Tier 1, Tier 2, Tier 3, Tier 4. Tamil Nadu is one state that has split between all 4 tiers of stores. It definitely will improve, but it will not be a significant improvement. I think Y-o-Y, you should be able to see about 5% to 10% kind of an improvement slowly. However, I think these mature stores, when they come into maturity levels, I think this will ignite the process a little bit sooner. Does that answer your question?

Rahul Jain: Yes. Sure. And the last question. Gross margins, we have done reasonably quite well. We have been able to maintain somewhere near 42% gross margins. Just this quarter, your EBITDA margin in spite of having 42% plus kind of gross margins, our EBITDA margins have been around 15% only or it's around 14.6%, primarily due to the increase in employee cost and other expenses. So, within those 2 buckets, anything to read in terms of some kind of one-offs for that? And going forward, do we look at a similar kind of quarterly run rate for these expenses?

Bharadwaj Rachamadugu: See, on the gross margin side, I think I have to give you this year, we have taken it on a very serious note. One of the top high priority KPIs for us is to maintain the gross margin irrespective of the fact we are coming with the newer formats and lesser gross margin stores. We have done a lot of activity around the improvisation in terms of gross margins, in terms of vendor discounts.

And therefore, we were able to maintain the gross margins at this level despite all these changing economics, right? But when you talk about the EBITDA percentages, in quarter 4, there are broadly 2 heads where our expenditure hit, the other expenditure majorly driven by advertisement cost.

So, advertisement cost, we have been reducing the advertisement cost overall, and if you see that between last year and this year. If you look at Y-o-Y, our advertisement cost reduced by almost like about INR10 crores. So, this is an effective cost exercise that we have done and some of the expenditures fell into Q4.

Secondly, one more thing is the employee cost. I think on the employee cost side, if you look at our store opening profile, majority of the stores, even in the 78,000 square feet, almost close to 50% to 55% of our stores opened between December 15 and March 15. Therefore, a significant employee cost added to this. That's number one.

And on the employee cost front also, there are other factors such as this bonuses as well as the Labor Code impact to a certain extent. All of this is where the EBITDA actually took a beating in the quarter 4. Otherwise, we should be able to expect a decent EBITDA about the full year EBITDA plus at least 50 basis points in the next year.

K.V. L.N. Sarma: If I may add, Rahul, here, that Q3 and Q4 will have a slight increase in respect of personnel costs on account of the issue of bonus. In one area, we will give bonus in Q3 and one other area we will give in Q4. Labor Code commitment is a continuing process. So that will be there in the same lines as it is today. And Q1, Q2, we will not have that bonus expenditure that will be there in the second half. So, if we are working out any variation, variation to the extent of bonus will be lesser in personnel costs in Q1 and Q2.

Rahul Jain: Quite helpful. And wish you all the best. Look forward to the 100K plus square feet addition going on.

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

Moderator: Next question is from the line of Bala Murali Krishna from Oman Investment Advisors.

Bala Murali Krishna: So first of all, regarding this taxation issue, recently, you updated that the income tax department waived off this taxation demand from the promoter. So, this is about INR50 crores sum. But when it comes to company taxation issue, so there is a INR21 crores demand and we immediately paid that. So why would we have not appealed that the company side? How they agreed to waive off this INR51 crores taxation from the promoter side? Could you please explain that?

K.V.L.N. Sarma: The contention on which they have raised the demand on personal taxation of promoter group was wrong. I mean, we cannot go into nitty-gritty of what all has happened, but they have taken a contention which was not tenable at that point of time. So, the promoter group went for an appeal and the appeal was allowed. And finally, the liability on the promoter came to around INR50 lakhs plus or minus. And the other thing was dropped because the contention of the original assessing officer itself was wrong.

Bala Murali Krishna: Yes, sir. But why you haven't appealed for this company tax demand?

K.V.L.N. Sarma: Company's aspect is, in fact, a closed the chapter last year itself. I have extensively explained about the company's taxation where we have agreed to the demand because we have given advances to the employees during the COVID period and then we waived it off, initially keeping

them as advances. Income tax people have taken a stand that it is to be re added back for tax purposes and then we have agreed for that.

In respect of liability of the promoter, it's entirely a different issue involving some personal interse transaction between the promoter group. And then they have taken a wrong contention and gave the demand on which the promoter group have gone in for an appeal and it was allowed. So, both sides, it was reasonably ended as of now and the matters are fully closed by now.

Bharadwaj Rachamadugu: I think the company side, I think last year, Q4 itself, the matter ended and therefore, the tax provisions have been made. That's like Q4 of '24 - '25.

Bala Murali Krishna: Yes. As we know that, already provisions are made and paid.

Bharadwaj Rachamadugu: Yes, Correct.

Bala Murali Krishna: The investor community is raising concern about how this INR50 crores is negotiated and how that INR20 crores is paid immediately. So that is the concern actually. That's why I asked...

Bharadwaj Rachamadugu: See, as I did mention, the whole point was transactions between the promoter group and family members. I think we did explain again, but probably if at all, you need a detailed explanation on this, I can probably give you separately. But broadly, the case here is there has been some transactions during the family trust creation from the promoter group side.

So right now, all the shares currently that you see from the promoter group majorly are parked under the family trust. During this entire transaction process, there has been some assets that have been moved between the promoters and therefore, the income tax authorities have highlighted that and I have marked that against the demand notice.

Now all of that, we had a proper representation made to the the Income tax department. And therefore, they have waived it off, and they have kept a nominal notice of about INR25 lakh to INR50 lakh. That is what's supposed to be paid. That has been taken care of.

K.V.L.N. Sarma: Not Waiver rather. It is, our contention is accepted and the demand dropped. There is no wavier.

Bharadwaj Rachamadugu: Is that clear?

Bala Murali Krishna: Okay, okay. Yes, yes, fine. And secondly, on this slowdown in the growth rate in Q4 and it's almost flattish about Q3. Usually, Q3 would be higher because of festival season, but this time, it's not much like that. So, is it the more Valli store addition in the last 2 quarters? Is it contributing for this slowdown because the ASP of Valli is below and any other factor?

Bharadwaj Rachamadugu: Not necessarily. So, if you look at in terms of our revenue contribution between H1 and H2, we are still -- ideally, it is between 45% to 55% in that range, it moves. And if you look at this year number '25, '26, it moved between 51% and 49%, which is -- which looks like as having a decent growth that we had.

Nothing particular with respect to Valli Silks. It's just that about the overall factors, which is geopolitical factors could be the consumption factors could be. In the month of late January to

February, there has been some slowdowns in the overall consumption pattern, and that's what has caused us to this kind of a plus 5%.

Otherwise, one more reason why we had a little bit of less of a growth here is because our store additions, again, even in Q4, the 2 stores, the 25,000 square feet, again, came between March 10 and 15. If at all, we would have gotten a chance to open in maybe Jan or February, a significant revenue contribution would have been added overall. But it is just that the alignment of the store opening date happened to be at the late of the quarter 4, and therefore, that particular store opening revenue didn't actually contribute to the overall top line.

Bala Murali Krishna: Understood. So, regarding the new store openings, 85,000 or 90,000 square feet, so what could be the split between the formats? Could you give some rough number? How many Varamahalakshmi, how many Valli?

Bharadwaj Rachamadugu: See, at this point of time, giving an exact number on the formats could be difficult. But again, Varamahalakshmi, Kalamandir, Valli are the formats that will lead the expansion for us. We still don't plan to add any KLM stores. It's just going to be Varamahalakshmi, Kalamandir, and Valli stores that will lead the overall expansion that we anticipate in this financial year. And I mean we hopefully plan to pivot into new state this financial year.

Moderator: Next question is from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Sir, can you give us the format-wise breakup of sales for FY26 and '25 as well?

K.V.L.N. Sarma: Normally, format-wise sales are something that dissemination of the information is detrimental to the interest of the company. Broadly, Valli Varamahalakshmi did around...

Bharadwaj Rachamadugu: 52% of the overall thing.

K.V.L.N. Sarma: 52% of the overall thing. So, the component of Varamahalakshmi is increasing in the overall pie.

Ankit Gupta: How much did you say for VML, how much as a percentage of sales?

K.V.L.N. Sarma: It's about 52%.

Ankit Gupta: Okay. Okay. Okay. And KLM, if you can talk about like KLM, how much decline have we seen in this financial year?

Bharadwaj Rachamadugu: So, KLM, I think the decline has been around low-single-digit, about 3% or so is the overall decline for KLM format. And the action plan, we are working on the action plan as well. And one of the store reductions that we have done from this net retail addition, I think 9,000 square feet of KLM reduction we have done to be able to have improved margin and improved profitability from that store.

And these are the factors why KLM has shown a decline. Otherwise, the plan for us this year, again, we'll be able to continuously change this product mix and still be able to achieve a positive SSG growth on KLM front.

Ankit Gupta: Sure, sure. And sir, on the state-wise sales, if we look at it, our 2 major states, Telangana, Andhra haven't seen growth. In fact, Telangana FY23, we did INR600 crores of sales in FY26, we are at INR500 crores. Andhra, INR443 crores, and we are ending this year with INR474 crores. Of course, there would have been an impact of KLM on the sales. But broadly, these 2 states have been significantly underperforming for us.

One of the states which was doing well for us because of the new addition of stores was Tamil Nadu. But Tamil Nadu also in last 2 quarters, we have started seeing a bit of flattening out as well as decline in sales in Q4. And you're saying Tamil Nadu, we should not be expecting more than 5%, 10% of overall growth for FY27 also without any store addition.

So, what are we doing to at least increase the sales from Telangana, Andhra? There is one thing on addition of net square feet, but our SSSG has to increase significantly for us to improve our profitability as well as see higher growth rates?

Bharadwaj Rachamadugu: See, I do agree that Telangana has been a slower growth, and this is majorly on account of KLM. But all the other formats seem to add growth. I think even if you look at AP, it grew by almost 15%. Karnataka grew by 27%. And this growth is driven by majorly square feet addition. But on the SSSGs front, particularly, I think because of the KLM format, we have been seeing some dip because majority, I think more than 60% 65% of our stores of KLM is located in Telangana. So that's the impact.

I think we are having plans on the KLM front to be able to revive that to still be able to deliver a positive SSSGs. Apart from just the KLM front, all the other formats are continuing to deliver a positive growth, both on the SSSG front as well as on the store retail addition front.

The reason why you're not seeing a significant jump is all the new stores that are coming up are not based out of in Telangana, majorly are getting added in outside of Telangana, and those are the ones that are contributing to the overall revenue. So again, in this year, we did add like a few stores in AP and Telangana, and those stores have not had a full run of operations. And once they run, probably they will also start adding. These are Valli format stores.

Ankit Gupta: Sure, sure. And sir, if you can give me for Telangana and Andhra, particularly, what would be the Varamahalakshmi SSSG in the states, Telangana and Andhra?

Bharadwaj Rachamadugu: I think it should be in the high single-digit number.

Ankit Gupta: Okay. So at least VML continues to see decent SSSG in Telangana and Andhra?

Bharadwaj Rachamadugu: Yes, yes, definitely. High single-digit number overall is what is there. And I think similar trends will be in AP Telangana as well. Yes, you're right on that.

Ankit Gupta: Sure. And sir, on the new square feet addition of 100,000. Of course, you are saying we'll be expanding in VML, Valli and Kalamandir. But if you can give us in which states will this expansion, come? and which new state, I think we are talking about entering Mumbai and Maharashtra partly.

So, if you can broadly give where will this new addition come? And how will that have an impact on our margins given we are entering the new states, there will be some higher advertising expenses, store opening expenses and other things, which will come as we enter new states?

Bharadwaj Rachamadugu: So far with the stores that we have in pipeline, majority of our stores are coming in Karnataka. And our Kalamandir format in Karnataka is the one which is leading this expansion front. However, there is a new format that are going to come up, which is Varamahalakshmi Skills in Andhra. And in Tamil Nadu as well, we have a few stores which are lined up with Varamahalakshmi Skills as well.

So, on the margin profile, it will not have much of an impact, okay, Varamahalakshmi and Kalamandir do have a little bit of a margin profile difference. But overall, still the goal for us is to be able to maintain similar margins without having an impact overall gross margin side. But I think there could be some more additions of the stores coming in, which I could probably be able to comment probably at H1 ending to give you a little bit more clarity in terms of the newer square feet that comes up.

But at this point of time, it will be Kalamandir. the state that will lead the expansion is Karnataka. To your question of Maharashtra and other zones, yes, we are in advanced stages. I think probably this year, you should be able to see at least 1 store outside of our core markets.

Ankit Gupta: And sir, last question on our H1 outlook for this year. If you look at last year, Q1 and Q2 were pretty heavy. We saw some Q1 because of Q1 FY25 having a low base, we had a very good Q1 and Q2 also because of early Diwali and the Dusshera this year, we had a very good Q2.

So, given the high base of first half in last financial year, how should we look at the growth for this financial year? Will we be able to grow at least 10%, 15%, 10%, 12% or we'll have higher sales in the second half compared to H1 as we had seen in last year?

Bharadwaj Rachamadugu: See, I think this year, I think H2 should lead than H1. There are a couple of reasons why. The first is, I think Dusshera has now moved back to Q3 instead of Q2. And two, in Q1, there's some slowness in terms of the Adhik Maas that is going to kick in, which is going to start in probably like about 4, 5 days and last till mid-June.

but the point here is when you look at the wedding date calendar, right, I think the dates more or less are spread out. What I'm trying to say is like it still does have an evenly spread-out calendar. And keeping all of that in mind, whatever is maybe the slowest that we can see in probably 1 month here should probably be moved to Q2. This is the kind of movement that could happen. But overall, the growth should be evenly spread out between H1 and H2. And this year, I'm expecting that H2 should be better than H1.

Ankit Gupta: In April, how much growth have we seen compared to last year?

Bharadwaj Rachamadugu: If you're talking about April, I think April was about low single-digit positive overall growth.

Moderator: Next question is from the line of Nitin Jain from Fair value Equity Advisory.

- Nitin Jain:** So, my first question is on the depreciation expense. It has gone down meaningfully this quarter. So, are we looking at smaller formats lately or some asset-light expansion, if you could clarify that?
- K.V.L.N. Sarma:** No, no. The depreciation includes the AS 116 workings. Because some of the leases will expire or long-term leases will get renewed for a different period and also some new ones with a small store format will come with an extended lease period etc. So, it is mainly on account of the leases AS 116 workings that it has come down slightly during this quarter. When the leases will expire and come up for renewals and also the new stores leases come in, the calculations will depend on the lease periods, amounts, escalation clauses etc. These workings will cause a small variation in the depreciation figures in each of the quarters.
- Nitin Jain:** Right. And how do we see it in FY27? Should it go back to normal or?
- K.V.L.N. Sarma:** It will be the same for this period. And during the year, we will be contracting for further stores. When we contract for the further stores, the right-of-use of assets and thereby the depreciation thereon will be kicking in, in that.
- Nitin Jain:** Right.
- K.V.L.N. Sarma:** They are not an owned premises, no. So, everything goes by the lease rentals, lease periods and then the workings there on. So obviously, when we are targeting 1 lakh square feet further during the year FY27, there should be an increase in the depreciation part.
- Nitin Jain:** And regarding the margins, you mentioned that there was an impact of the bonus payout in Q3 and Q4. Would it be possible to quantify the impact, the bonus impact?
- K.V.L.N. Sarma:** It ranges, I think Q4, we seem to have disbursed about INR4 crores bonus. We spread it over the year, some in Q3, some in Q4. And the impact during the quarter was to the extent of about INR4 crores.
- Nitin Jain:** Right. So, in terms of basis points, how much would it be?
- K.V.L.N. Sarma:** about 2 basis points.
- Nitin Jain:** No, I have a few more questions.
- K.V.L.N. Sarma:** Yes. Go ahead.
- Nitin Jain:** Yes, yes. So, in terms of the wedding calendar, you mentioned that the dates are spread out evenly. But what about the absolute number of wedding dates throughout the year? Are they the same? Or is there any difference?
- Bharadwaj Rachamadugu:** Okay. So, to answer your wedding dates calendar, I think in terms of the absolute number, we have around extra days than compared to last year. So yes, I think more than 5% to 10% of extra dates is what we have compared to last year.

Nitin Jain: Great. And regarding the revenue outlook for FY27, you mentioned that it will be better than FY26. If you could clarify like FY26, we have done 13% or so revenue growth. So should we be between 15% to 20% or 20% to 25%.

Bharadwaj Rachamadugu: The reason why I'm unable to give you a number is - on the SSSG front, we should be able to do similar to a little bit better than last year, which is more than 3%. On the revenue growth front, from the way we stand, it's all coming down to the net retail area addition that we are able to do.

At this point of time, we seem to have a healthy square foot opening, which is spread between Q1, Q2, Q3, Q4. Keeping that in mind is why I said that we will have a better number compared to the last year kind of a number. But the reason why I'm not able to give you a number is because I should still plan for exactly how much square feet.

And that's why I said I'll probably be able to give you this number at the end of H1, where I'll have a visibility for the number of stores that I will be able to open till March. But overall, broadly, if you look at, we should be able to do much better than this year's number, something in the ranges that you mentioned.

Nitin Jain: Right. So, gold has become more expensive like more so with the duty hike today. So as a result of that, should we see some part of the wedding budget that was earlier earmarked for jewellery now moving to apparel, like sarees, etcetera?

Bharadwaj Rachamadugu: Two things. I think gold is directly and indirectly also in the same range, right? Like our raw materials also do have gold embedded into our products. all the Zari that we use in the products is all made from silver and gold. Again, metal prices do have an impact overall. When this sort of a phenomenon happens, what happens is that the product ASP also start shooting up.

Just in the last 6 months to 7 months, we have seen some increase in the overall pricing, and that has caused the change in the consumer behaviours. But if you look at that, generally, it should yield into positive trend because gold is becoming too expensive. the alternative for gold right now is picking up with respect to silver jewellery and other similar categories.

But again, in terms of sarees also, it's the same thing. I think the budgets now have like moved beyond like which was about INR1 lakh kind of a purchase today stands about like INR60,000 or INR70,000 on that front. So, the bill values are also decreasing into that extent.

K.V.L.N. Sarma: On a lighter note, sarees under the ethnic wear has no foreign exchange involved. So, we are expecting that some of the money that was discouraged to be spent on gold might come to apparel and particularly sarees in the wedding season. So, we are hopeful that we should have a better offtake by getting the money diverted.

Nitin Jain: That's very clear. Sir, just my last question. You mentioned that you would want to venture in at least one new state this year. So, would that lead to significant marketing expenses as you would like to establish your brand in a new state? Thank you. And that's all from me.

Bharadwaj Rachamadugu: See, yes, it is possible, but we have budget on the advertisement side to still be able to run at 4% kind of a number only, which is a similar number compared to this year. So, we will reposition that whenever required.

But yes, when we go to a new state, it does require some noise to be made, and we'll definitely go all in when we go to a new state, get the local influencers or celebrities to be able to influence and be able to showcase that we are now present in that brand.

Most of our store formats also when we open, I mean, apart from certain formats like Varamahalakshmi, most of the formats, whenever we open stores, we make a loud bank. So not just during the opening, even post that also, we do that for us to be able to get the eyeballs that we could get. And that's something that we do for every store.

This year, particularly on the advertisement and marketing front, irrespective of the the BTL activity, we started focusing on the ATL activities as well and focusing more on digital marketing and hyperlocal marketing campaigns.

That is something that we will continue to do next year as well in a few of our weaker performing stores in terms of the walk-ins. But to answer your question, broadly, the advertisement expenditure should be in the similar range in the same as how this year ended up in terms of percentage points.

Moderator: Next question is from the line of Ankit Babel from Subhkam Ventures.

Ankit Babel: Sir, a couple of questions. Now considering the store addition plans, you mentioned about adding 1 lakh square feet and a better SSG compared to FY26, what kind of EBITDA margins we can look at in FY27?

K.V.L.N. Sarma: EBITDA margins, the Varamahalakshmi component is continuously growing within the entire pie. And we should surely see an improvement in the EBITDA margin this year also because broadly, I would say there is a potential of improving the productivity to the extent of another 4,000 to 5,000 per square feet in Varamahalakshmi format in Tamil Nadu. So mostly, that will add to the improvement in the margin profile as such.

And also, one other thing is of course, that is not directly related. But since the company is totally debt-free and the company has enough resources for completing the entire expansion with the internal generation, there will not be any further borrowings this year and we expect that the company will not have a necessity for borrowings for the next 2, 3 years also.

So, all these square feet additions and improved activities should improve EBITDA on an overall absolute number. EBITDA margin is one point. Subsequent to EBITDA, there is no interest cost. As such the difference between EBITDA margins and the PAT margins will also shrink. Thereby, in respect of the PAT margins, you will be able to see a much better improvement than it was earlier.

Ankit Babel: Okay. Because a few quarters back, you had guided for around 200 basis point EBITDA improvement every year. So, we were targeting some 19% margins by FY27 at EBITDA level.

So, what are the new estimates? Where do you see? Because we have not seen much improvement in FY26?

K.V.L.N. Sarma: The target would be the same. This year, we have reached about 16-point-odd. And our target, with the plan of action on expansion and Varamahalakshmi format it should be possible that we should at least be in the 17.5% to 18% range this year.

Ankit Babel: 17.5% to 18% range. Okay. Okay. And sir, just wanted to understand that since you mentioned that you have enough financial resources to expand your retail network. So just wanted to understand why you are constraining you to just 1 lakh square feet and not adding 1.5 or more lakh square feet. Is there any execution challenge or you don't see that kind of a demand in the industry? Or you feel that the balance sheet doesn't allow this? 1.5 lakh?

K.V.L.N. Sarma: That is the target we have put in for the current year. But surely, we will make an effort to improve the square footage. It's not as though we try to locate a place and put up a store and done with it. There is a lot of preliminary work that goes in to locate a store. Currently, we have a visibility of approximately 1 lakh square feet on which we have closed the entire process of identification of the stores and then the other modalities of executing it.

That is how Mr. Bharadwaj was mentioning that at the end of H1, towards the H2, perhaps we can give an indication that the store addition would be slightly better than this 1 lakh also. It's not about the resources, but consider that we have never closed the stores on account of operational issues.

So, there is a lot of preliminary work that goes on while locating these stores. And once that is located, obviously, we will have enough resources to put up the stores. And we should surely make an effort to go well beyond 1 lakh square feet this year.

Bharadwaj Rachamadugu: See, adding to this, I would want to mention that it is always not about adding too much square feet. It's also about retaining and maintaining the margin profile, maintaining the EBITDA profile, maintaining the profitability profile aspect of it. I think it is fair to say at this point of time that in our industry, we command one of the highest gross margins.

I mean, again, I'm talking about the saree retailer here. We are commanding the highest EBITDA margins and PAT margins. The challenge is not just opening retail stores and be okay with reduced margins. The challenge is to be able to identify carefully, handpick carefully and be able to handhold these stores.

Majorly, I think we have seen many in the cases in the market that too aggressive expansion also can cause consolidation of stores. Our whole point is not about like opening the stores just because there is a healthy cash system and then be consolidating the stores.

I think the careful approach that we have been taking and slowly start incrementing this process and continuously delivering that growth year-on-year is our prime focus. I think during our older conversations also, I think I've mentioned the same thing.

While we do have the balance sheet support to open more, I think here, it all comes down to the strategy where it is all about being able to maintain the similar kind of productivity levels, efficiencies while still focusing on the growth.

So, when you try to balance this, I think it has to go with a balanced approach and neither one can take precedence. So that's the approach overall. But overall, if you look at Y-o-Y, we are continuously improving the retail square feet addition Y-o-Y.

Ankit Babel: Okay. So, sir, mathematically, since even if I take a 15% kind of a top line growth for next year, I mean, this FY27, and you did mention about 17.5% EBITDA plus no increase in interest cost, so at least a 200-basis point improvement in net margins. So, this gives me a PAT of around INR200 crores for FY27. So, are you guys also targeting that level?

K.V.L.N. Sarma: We will discuss this. I mean, may it's too premature to discuss the finer aspects of this. But surely, we will make an effort to improve our turnover vis-a-vis profitability continuously. But the specific mathematics we will discuss in the Q2 call.

Ankit Babel: No problem. And sir, my last question is where do you see your inventory days in FY27 and your debt levels? We have seen slight improvement in inventory days in...

K.V.L.N. Sarma: Yes. Even in this year, you would have seen despite adding 70,000 square feet, the increase in inventory was only INR34 crores. So, there is a concerted effort, constant vigil on that to improve the inventory days. But if you are following us, you would have remembered that second half of 'FY 23 or FY24, when we put a KPI on the inventory part, there was a huge reduction in the turnover during that quarter.

So, we are broadly balancing between the inventory optimization and the sales achievement. And accordingly, we will be taking a call on that. But surely, there is an effort to continuously improve the inventory turnover.

Ankit Babel: Any target, sir, for this year? How much, because 180 days was the last year's inventory days, which is still too high. So, any target here?

K.V.L.N. Sarma: It's a continuous thing. See, if I convey a KPI on this within the system, then it is taking a negative toll on the sales part. So, we will make an effort to continuously improve that.

Ankit Babel: One more thing...

K.V.L.N. Sarma: If I have to broadly give you an indication from the year FY24 to this date, if you see our balance sheet, we have improved substantially on inventory per sft. We have reduced the inventory per square feet by around INR1,000. What was around INR11,533 has come down to INR10,480 or so. So that's a concerted effort, but we have to get an equilibrium between the inventory days and the sale achievements that we will continuously monitor.

Bharadwaj Rachamadugu: On the overall other side to this is, I think the formats that we open, I think Kalamandir has a different inventory requirement, KLM has a different I mean, Varamahalakshmi has a different inventory requirement. And the store opening dates also does have an impact, right, at the end

of the year. I think, again, talking about the inventory keys, again, coming to this decision after H1 could be a better way to look at it.

Moderator: Next question is from the line of Nilesh Doshi from Prosperotree AMC.

Nilesh Doshi: Sir, many questions were asked by the earlier analysts. So, my question in connection to the earlier analysts that the future expansion and the maintenance of the margin. So, within how many days once the new store is opened, will match the EBITDA margin of the mature store. And within how many days they achieved the breakeven? Or at what revenue level they will achieve the breakeven?

K.V.L.N. Sarma: Depending on the format, Varamahalakshmi format will give a payback within 8 to 9 months, whereas to reach the EBITDA margins to get the store mature, it will be approximately 1.5 years to 2 years. The maturity part we consider is that we leave out the year in which the store was established.

And we leave more year for the store to see the 3 cycles of wedding dates and other festivities etc and then go on to the base figure. So obviously, for the store to mature and get established to the average EBITDA margins of the company, it will be anywhere between 1.5 years to 2 years. And in respect of formats like Kalamandir, etcetera, it will be slightly higher.

Nilesh Doshi: Okay, sir. And sir, we are operating the different format stores but our blended GP margin is around 40-plus percent and EBITDA is around 12% to 13%. So which format is generating the higher GP and higher EBITDA compared to the other format? And are we expanding in particularly in that format or we are expanding the old format?

K.V.L.N. Sarma: See, they are location based. See Tamil Nadu, Varamahalakshmi format is the best format, which gives higher gross margins and higher EBITDA margins. Whereas we have seen Kalamandir format has a good brand value in Karnataka, particularly Bangalore and other places. So when we have expanded in Tamil Nadu, we expanded on Varamahalakshmi format. Now that we are expanding in Karnataka, particularly Bangalore with the Kalamandir format.

So, each format will have a different metrics depending on the location where its brand value is there. Currently, with Varamahalakshmi, we have reached some kind of reasonable size in Tamil Nadu, where the stores are in the process of maturity and improving the productivity. Now we see a potential in Karnataka, particularly Bangalore, where the Kalamandir format is in good brand -- has a brand equity.

So obviously, current expansion will include Kalamandir format and also on a need-based Varamahalakshmi format. Broadly, I think we should implement approximately in the range of 60-40 between Kalamandir and Varamahalakshmi format this year.

Nilesh Doshi: Okay. And so ultimately, all formats are generating the near to equal EBITDA margin or it generates the difference between the one format to another format?

K.V.L.N. Sarma: Varamahalakshmi format will definitely give better EBITDA margins, but it cannot be put everywhere. It cannot be unlimitedly expanded. So wherever there is a potential for that, we will

be placing Varamahalakshmi format. And the other places, though Kalamandir format in Bangalore might give a lesser EBITDA margin, but it has a potential to give higher turnover.

And by volume, we will be able to achieve the absolute amount of the EBITDA there. So, we make an analysis of these 2 between the volumes and the margins over there and then we take a call on that. So that's how, this year, Kalamandir in Bangalore is a focus area along with Varamahalakshmi in general.

Nilesh Doshi:

Okay. And sir, my last question is related to inventory. How do you identify the slow-moving item, particularly there are N number of sarees kept in the stores. So there must be some slow-moving items. So how do you clear that inventory? And how do you value the inventory at the end of the year?

K.V.L.N. Sarma:

Inventory valuation is the same principle. It is the cost or market value, whichever is lower. So, valuation part, it is very much predefined. And with regard to the saree, we have one advantage is that it fits all sizes. It fits everyone and then size is not a constraint. And then it can be stored for a longer period depending on the product like a cotton saree, or a silk saree, or a georgette etcetera. The shelf life is much longer in the sarees with proper folding and care.

So, and secondly, we have many number of stores and then we keep moving the stock from one place to other, depending on the suggestions that comes from out of our AI and machine tool suggestions. So, we have an elaborate package built within the company where they will be continuously monitored and the data analytics give which area, which place these kinds of sarees are getting sold and accordingly, we move the product.

So, there will not be any issue with regard to the aging of the sarees and keeping the sarees marketable above the cost price. Only if it comes to below the cost price only, we need to be providing anything for that. And in respect of sarees, we also have the provision of converting them into half sarees or baby frocks, etcetera.

And since we have other formats like Kalamandir and KLM where these value-added products can be put. We ensure that each product is fully sold in whatever form and then the expected margin out of those products is realized.

Moderator:

Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference back to Mr. Bharadwaj Rachamadugu for closing comments. Over to you, sir.

Bharadwaj Rachamadugu:

Thank you, Iqra. Thank you again for joining today. I think we had a good year '25, '26, and we look forward to having a healthy year '26, '27 and looking forward to connecting you back at our Q1 results. Thank you, everybody, for taking time and joining today. Thank you so much.

Moderator:

Thank you very much. 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.