Operator: Ladies and gentlemen, good day, and welcome to the Q2 FY27 earnings call of Siyaram Silk Mills Limited, hosted by MUFG NTime. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Ms. Devanshi from MUFG NTime. Thank you, and over to you.

Operator: Good afternoon, ladies and gentlemen, and welcome to the Q2 and H1 FY27 earnings conference call of Siyaram Silk Mills Limited. To discuss this quarter's performance, we have from management Mr. Gaurav Poddar, President and Executive Director; Mr. Ashok Jalan, Senior President and Director; Mr. Surendra Shetty, Chief Financial Officer; and Mr. Dinesh Damle, 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 management for the opening remarks, and then we can open the floor for questions and answers. Thank you, and over to you, sir.

Gaurav Poddar – President and Executive Director: Good afternoon, everyone, and thank you for joining us today for Siyaram Silk Mills Limited's Q2 and H1 FY27 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 with us as we discuss the company's performance and key developments during the quarter and the 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 Zencode and Devo across key markets. As of date, we have 38 Zencode stores and 23 Devo stores, taking the total store count to 61 stores as against the 70 stores that we had guided. We are confident that we shall be able to close the store count at 70 stores across the two formats by FY27. 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 an uneven monsoon and increasing inflationary pressures in key raw materials, demand across the textile and apparel sector remained broadly

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stable during the first half of FY27. 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 the expanding reach of organized retail are supporting consumption.

With a larger part of the festive season falling in the next quarter, a significant portion of festive-led consumption is expected to be reflected in Q3. We are also optimistic about the upcoming festive season, and it will boost our performance. We are revising 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 827 crores in Q2 FY27 compared to 719 crores in Q2 FY26, a growth of 15.1%. For H1 FY27, total income stood at 1,293 crores as against 1,118 crores, a 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 a first interim dividend of Rs.4 per equity share of Rs.2 each in FY27. 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 - Chief Financial Officer: Thank you, Gaurav, and good afternoon, everyone. Let me take you through the company's standalone financial performance for the quarter and half year ended September 30, 2026.

For Q2 FY27, total income stood at Rs.827 crores compared to Rs.719 crores in Q2 FY26, excluding non-recurring other income of Rs.24 crores.

During the quarter, fabric contributed 77% of revenue, while garments accounted for 16%, and yarn and others contributed 7%.

EBITDA for the quarter stood at Rs.131 crores in Q2 FY27 compared to Rs.121 crores in Q2 FY26.

Profit after tax for the quarter stood at Rs.75 crores in Q2 FY27 as against Rs.87 crores in the corresponding period of last year.

For the first half of FY27, total income stood at Rs.1,293 crores compared to Rs.1,118 crores in the first half of FY26. EBITDA for the period stood at Rs.170 crores, while profit after tax was Rs.86 crores.

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The company's balance sheet continues to remain healthy, supported by prudent financial management and a 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 questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Deep Galwani from Care PMS. Please go ahead.

Deep Galwani – Care PMS: Good afternoon, Gaurav, sir. Congratulations on a great set of numbers despite the delayed festive season, and you have even increased the revenue guidance. So, my first question is: what were the volume growth and value growth this quarter in the fabric segment?

Gaurav Poddar – President and Executive Director: Hello?

Deep Galwani – Care PMS: Yes, yes, sir. Please go ahead.

Gaurav Poddar – President and Executive Director: In general, as we have mentioned over the previous few calls, we do not look at it as a breakup of value and volume because there is a change in the mix of suiting and shirting that keeps evolving over a certain period of time. However, just as you asked, in the fabric business, the volume percentage increased by roughly 2.5% and value increased by roughly 11%. But again, it is better to look at the absolute value rather than looking at a volume mix and a breakup of volume and value.

Deep Galwani – Care PMS: Fine, sir. What price hike has the company taken in the current quarter to offset the impact of higher raw material prices?

Gaurav Poddar – President and Executive Director: As we mentioned in the last call as well, raw material fluctuation has been quite drastic, and that depends on commodity prices and the 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. Therefore, it is a more gradual approach to a price hike, and I think over the last 6-odd months we have cumulatively taken a price hike of about, I think, between 4% and 6%, in that kind of range.

That happens in a very gradual manner, and it takes a longer 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 and what needs to be done, because there is even a chance for things to correct if everything settles down. We would not want to overdo too many things, and that is why it also has to be done through a gradual approach.

Deep Galwani – Care PMS: What was the reason behind the decline in gross margins? Majorly, it is due to raw material inflation, but is the contribution of Zencode and Devo also declining the gross

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margin?

Gaurav Poddar – President and Executive Director: Largely, as you mentioned, it is the impact of raw material pricing that has affected the gross margin and EBITDA to that extent. For Devo and Zencode, we have maintained a maximum 150-basis-point drop in EBITDA, and throughout the year we will hit that number. I mean, we are quite confident of matching the guidance that we have given.

Deep Galwani – Care PMS: What was the revenue contribution from Zencode and Devo this quarter in total?

Gaurav Poddar – President and Executive Director: In total, if you look at the first half of the year, the retail Zencode and Devo businesses together contributed approximately 65 crores to the top line.

Deep Galwani – Care PMS: Okay. Can you provide the contribution from Zencode alone for this quarter?

Gaurav Poddar – President and Executive Director: We have not been giving a breakup of these numbers, but a large part of the revenue comes from Zencode.

Deep Galwani – Care PMS: Okay. 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 FY27 compared to the guidance of 70 stores?

Gaurav Poddar – President and Executive Director: At the moment, we are very confident of achieving the guidance of 70. We have already reached 61, and it seems on track to go past 70. Now, the fact of the matter is that a lot of these properties are build-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 see how it goes, and we will keep you updated on the progress.

Deep Galwani – Care PMS: Okay, thank you, sir.

Gaurav Poddar – President and Executive Director: Thank you.

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

Dikshit Doshi – Whitestone Financial Advisors Private Limited: Yes, thanks for the opportunity. I think you said that retail sales were 65 crores. If I am correct, it was 30 crores in Q1. So, it is more or less flat compared to Q1. Is there any particular reason for that? We have opened new stores also, and some festivals were there in Q2 as well.

Gaurav Poddar – President and Executive Director: I would not look at it as a quarter-on-quarter number. This comprises both Zencode and Devo. If you recall, in the first quarter, particularly in April, there was a very good festive wedding season as well, so you cannot look at it on a quarter-on-quarter basis. We have given guidance of approximately 160 crores by the end of the

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year, which we are very confident of achieving.

Dikshit Doshi – Whitestone Financial Advisors Private Limited: Okay.

Dikshit Doshi – Whitestone Financial Advisors Private Limited: Now that it has been 2 years since we started this retail operation, can you share any more metrics? Is it possible to share more metrics of the retail business?

Management: We have been indicating that this season 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 there were totally fewer than 20 stores put together across both formats. So, this is going to be the first festive season where we have some kind of store volume to discuss, and we want to wait until the end of March before we can share something.

The progress that we have made, qualitatively speaking, has been very positive, and we are very encouraged by the feedback. Incrementally, we have made a lot of learnings, implemented those learnings, and are seeing the results of those learnings. So, we are very happy with the progress that we have made in a short time, and we are very optimistic about the retail business.

Dikshit Doshi – Whitestone Financial Advisors Private Limited: In Zencode, we now have 38 stores. I think we started in Bangalore, but we were planning to go outside Karnataka as well. Have we undertaken any expansion outside Karnataka, and how has been the response there?

Management: As you rightly said, we started Zencode in Bangalore and Karnataka. Now, I think approximately 19–20 of the stores are within Bangalore and its suburbs, about 10–12 stores are in the rest of Karnataka, and then we have opened stores in Hyderabad and Chennai, as indicated in the last call. We have approximately 3–4 stores in Hyderabad and 2–3 stores in Chennai that we have opened, and incrementally, store openings will be largely in these two areas, apart from whatever more we find in Bangalore.

Dikshit Doshi – Whitestone Financial Advisors Private Limited: Okay. Have we finalized anything in terms of store expansion for next year?

Management: We are looking at this year for the moment, and at the end of this year, on the call, we will give you guidance for next year.

Dikshit Doshi – Whitestone Financial Advisors Private Limited: Okay, and...

Management: There will be store expansion, but we will be able to give you a more concrete number by the end of the year.

Dikshit Doshi – Whitestone Financial Advisors Private Limited: Okay, okay. You did mention in earlier calls that for Zencode we have to constantly expand, but Devo is a model where, after a certain point, you can wait for stores to become profitable and then expand aggressively. Is it fair to assume that most of the expansion next year will be in Zencode?

Management: Yes, that is a fairly correct assumption. For example, by the end of this year, Devo will have approximately 22–25 stores, something in that range, which we feel is a good number to be

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able to run an operation with. These Devo stores are already focused in North India, namely Delhi, Uttar Pradesh, Punjab, and Rajasthan. It has to be in a particular cluster with a particular kind of taste.

For Zencode, as you mentioned, in our previous call we said that we need to have a faster pace of expansion just to be able to manage buying at those volumes and turn around products at a quick pace, because we are in the fast fashion business. So, most of the expansion next year is going to be in Zencode.

Dikshit Doshi – Whitestone Financial Advisors Private Limited: Okay. My last question is: is there any rough timeline by which the preference shares will be listed?

Management: As of today, looking at our circumstances, I would still say it will take a minimum of around 6 months.

Dikshit Doshi – Whitestone Financial Advisors Private Limited: Okay, more than 6 months. Okay.

Management: Minimum, minimum.

Dikshit Doshi – Whitestone Financial Advisors Private Limited: Okay, okay, and that is it from my side. One suggestion: if possible, by year-end, once we have more stores and have seen 2 Diwalis, if you can share more metrics on the retail side by year-end, it will be very helpful. Thank you.

Management: Thank you.

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

Santosh Shetty – LGC Capital: Hello, sir. Just a single question. You had mentioned that several Zencode stores have already turned EBITDA positive. Has the number of EBITDA-positive stores increased during Q2? Are you seeing a visible improvement in store-level profitability as stores mature?

Management: 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 general, directional feedback, because we are not giving any quantitative numbers.

For some time, it will take 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.

It is not just the old stores that we see improving in terms of the metrics, but even the newer stores are improving. With the learnings that we have, the new stores that we open, the sizes that we open, and the locations that we choose, we are using those learnings from our experience and opening better stores. In general, the mood is good and the feedback is good. The product is being accepted well. In general, we are very optimistic about Zencode.

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

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Management: Thank you.

Operator: Thank you. The next question is from the line of Nimesh Varma from Darashaw Securities. Please go ahead.

Nimesh Varma – Darashaw Securities: Good afternoon, sir. Am I audible?

Management: Yes, we can hear you.

Nimesh Varma – Darashaw Securities: I just had 2 sets of questions. The first one is that I think you have reiterated an upward revision in your growth guidance. What are the key factors behind this?

Management: If you see the first half of the year, we have been able to achieve approximately 14%-15% growth, and that gives us confidence going forward. Along with that, the festive season has been pushed to the third quarter, whereas it was earlier in October last year. So, we expect that to help us as well and provide some boost.

We also have confidence going into the retail business. With the number we indicated, we seem to be doing as per that. Generally, we feel that we can achieve this kind of 14%-15% growth, and that is why we are happy to share that with all of you.

Nimesh Varma – Darashaw Securities: Understood, sir. The second question is that you had earlier indicated that Tier 2 and Tier 3 markets would offer a significant growth opportunity. How has the demand trend been in these markets during the festive season?

Management: The festive season is just starting, 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 into this year, we have seen a recovery in that. So, Tier 2 and Tier 3 markets are very important for us and for our fabric business.

The festive season has just started, and we are optimistic that the wedding season and the festive season will continue to do well in these markets.

Nimesh Varma – Darashaw Securities: Understood, sir. Thank you, that was all from my side.

Management: Thank you.

Operator: Thank you. A reminder to all participants to press star and one to ask a question. Ladies and gentlemen, if you wish to ask a question, you may press star and one on your touchtone telephone. The next question is from the line of Rohit Saini from Jainam Stock Brokers. Please go ahead.

Rohit Saini – Jainam Stock Brokers: Hi, sir. Thank you for the opportunity. I am new to the company, so I wanted to know how management differentiates Zencode from existing fast fashion brands, and Devo from existing ethnic wear retailers. How do you see the long-term revenue and profitability of both relative to the company's existing fabric business?

Management: If you look at both these businesses, first of all, Zencode and Devo are in completely different market spaces, with completely different consumers, different price points, and

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completely different businesses. However, there is obviously competition in both these segments.

The apparel market in India 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 maintain for both these brands and our overall retail business, is that we believe that, since we come from a background in textiles and have an understanding of yarn and fabric, we can provide a better product. We understand the product, and we understand how the backend of the product works. We believe that is the biggest benefit that we have as a textile company entering retail.

In terms of actual differences, I think Zencode and Devo are both 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 that are doing a lot of good things, whether they are national brands or 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.

We also keep an eye on what is happening in the market, 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 Siyaram's lineage.

Rohit Saini – Jainam Stock Brokers: Okay, sir. Do you plan to enter North India?

Management: In terms of Devo, we have started in North India, and, in fact, all our stores are based in the north—Delhi, NCR, Uttar Pradesh, Punjab, and Rajasthan.

For Zencode, we started in South India, and for the moment we are focusing on South India. It is a large cluster, and we are focused on a clustered approach, as that is how we started and something in which we believe very firmly. As these clusters grow, we will keep informing you and keep moving ahead.

Rohit Saini – Jainam Stock Brokers: Okay, sir. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Suhani Singh from Aurus Capital. Please go ahead.

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

Management: Good afternoon, Suhani. When we started this project, retail as a business was new to the company. The product is something that we believe is our strength, but retail operations as a business have been new. We started with 2 different teams and 2 different setups for Devo and Zencode because they are 2 completely different businesses.

Zencode is a fast fashion business, which is a less cyclical and less seasonal business and operates more throughout the year. In terms of key metrics, there are many things involved; it is not just one

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thing. One factor is that the brand is completely new to the consumer, so it takes time to build consumer awareness for these brands.

In general, we want to establish many things together. We are setting up a completely different warehouse and completely different IT systems. It is a whole new team, and we are working on a very lean structure. When you look at how the business is being expanded, it is almost like a startup.

All those building blocks are being put in place. One aspect 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. That takes a lot of time.

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. The idea was that we needed to do that on a smaller scale, where it would be more manageable and have less impact on cost or profitability for the company.

That is the idea. As we see progress in Zencode, we will continue to open stores in Zencode. For Devo, we reached a certain store count to make it more operationally efficient. As we continue to see more progress, we will keep opening stores and keep updating you.

Suhani Singh – Aurus Capital: Okay, that helps, sir. Thank you.

Management: Thank you.

Operator: Thank you. A reminder to all participants to press star and one to ask a question. The next question is from the line of Praveen Sharma, an individual investor. Please go ahead.

Praveen Sharma – Individual Investor: Hi. Good afternoon. Am I audible?

Management: Yes, yes.

Operator: Yes, sir.

Praveen Sharma – Individual Investor: Thank you for giving me this opportunity. I have 2 questions. The first is on Devo and Zencode. We are not offering products on e-commerce, either D2C or through a marketplace, correct?

Management: That is right.

Praveen Sharma – Individual Investor: Yes, because for Devo at least, I am speaking from an experience where we needed certain things for a wedding, but they were not available. I went to Delhi just to get them. Fabindia and others offer this, so I think there is no specific reason not to go for a D2C model, at least through an e-commerce website. I think that should be enabled, because that would not follow a cluster approach for Devo.

Management: [pause] Thank you for your feedback. E-commerce and the website have consciously been kept out of the plan so far. That is not to say that they will never be in the plan.

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The consumer today is omnipresent, where they look at a D2C brand or a consumer-facing brand in all formats, and we recognize the importance of that. But retail has been in operation for only about 2 years or less, and there are so many things to do. We do not want to divert our focus into doing too many things at once.

We are already running these 2 brands, focusing on a cluster, and doing so many things at one time, and that is why this has been put on the back burner. Eventually, when we do it, we will do it properly. That is the idea.

I think that is something to be looked at in the future. It cannot be avoided for sure, but it is not in the immediate plan as of now.

Praveen Sharma – Individual Investor: Okay, okay. For Devo, when you have one or 2 stores in a city, one can offer D2C, which helps the customer. Once I have visited the store and know the quality, I can buy the product through the e-commerce channel very easily. That is my suggestion, and I think it should be done at least for Devo.

The second question is: what is taking 6 months for listing these preference shares? Is there a specific reason? There is another question associated with it: will interest be payable from the date of allotment, or will the 5-year term start only once they are listed?

Management: Interest is payable from the date of allotment every year.

Praveen Sharma – Individual Investor: Understood.

Management: Yearly.

Praveen Sharma – Individual Investor: Understood.

Management: As far as the listing is concerned, the necessary applications with BSE and NSE have been made. Based on the feedback we are receiving, it takes a minimum of around 6 months. There is no specific reason; we do not have any antecedents for this. Based on the information provided to us, we are saying that it will take a minimum of 6 months.

Praveen Sharma – Individual Investor: Okay, okay. Thank you. Thank you very much.

Operator: Thank you. The next question is from the line of {? Dhanay Shukla ?} from PhillipCapital India. Please go ahead.

{? Dhanay Shukla ?} – PhillipCapital India: Thank you for the opportunity. My first question is on capex. You have guided for approximately 100 crores of capex in FY27, including 40-50 crores for retail expansion. How much of this has been spent in the first half of the year? Also, do you expect any changes to your capex plan for the remainder of the year?

Management: 51 crores. Cumulatively, we have incurred capex of approximately 51 crores in the first half of the year. We have indicated approximately 100 crores for the whole year, and we believe that we will be in line with that number.

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{? Dhanay Shukla ?} – PhillipCapital India: Understood, sir. My second and last question is on the festive season. The festive season generally contributes significantly to annual sales. Based on the trends seen so far, how has customer demand been during the festive period compared to your expectations?

Management: The festive season has just started, and we see that retail movement has seen a significant uptick as the festive season progresses. We believe that will continue.

The retail business is a direct business, but for the wholesale and channel business, there is a lag. We believe that as dealer inventory starts clearing out, there will 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.

{? Dhanay Shukla ?} – PhillipCapital India: Understood, sir. Very helpful. Thank you.

Management: Thank you.

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

Deepak Malhotra – Capgrow Capital Advisors LLP: Hi, am I audible?

Management: Yes, you are.

Operator: Yes, sir.

Deepak Malhotra – Capgrow Capital Advisors LLP: Thank you. My question is regarding the earlier legacy business and the new business that the company has entered. When we look at the legacy business, you have been very strong in fabrics and have been doing very well in garments.

Now, as you enter the new retail businesses, Devo and Zencode, there is already a lot of competition there. When we look at the existing players, they have been facing significant losses. Specialized players have also been suffering heavily. The larger players that have entered the segment have again faced the brunt of the competition.

Retail expansion incurs substantial capex and also brings Ind AS complications, which affects how the company should be valued. With the kind of inflationary pressures you are facing on the raw material front, how do you see the competitive landscape at present and your strategy going forward? Thank you.

Management: Deepak, first of all, as you mentioned, the legacy business is something that the company has been doing for almost 45 years. In the fabric business, the Siyaram's brand and other brands of the company enjoy some kind of leadership position.

We are present in rural markets. I think every retailer, or most retailers, would have our brands on their shelves. It is a brand that is known to most people in the country today. We enjoy that kind of trust and brand recall, and we are very fortunate to have that.

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As we look forward to the next phase of growth for the company, we believe that retail is the next frontier. We believe that direct-to-consumer channels, particularly channels where the company has not been present—which are fast fashion and ethnic wear—represent opportunities that are available to us.

If you look at the fast fashion industry as a whole, it is growing at more than twice the speed of the regular apparel industry. There are several players, as you mentioned, and each player has its own strategy. However, no single player has a large percentage of market share. Even the largest few players would not have a very large market share percentage. That gives a strong indication of how fragmented the Indian market is and how large domestic consumption in India is.

Today, in the apparel business, whether it is ethnic wear, fast fashion, or any other category, a large part of the business is still unorganized. The shift to organized retail is going to boost the market share for everyone, not just for us.

We are only 2 years old and a very small player in this retail business, but we approach this business with our own strategy. We have given a very conservative growth outlook. We want to get the business and the model right on a smaller scale.

We have indicated an EBITDA loss percentage reduction of 150 basis points, and we have maintained that number in the first year of the business. We have given a similar number in the second year for this business, and we are confident that we will achieve it.

We have already indicated that Zencode, for example, has seen some stores become EBITDA-positive at the store level much earlier than expected. This is because we approach the business in our own way, and we believe that we want to get the business right.

We understand the product, and retail is, of course, new for us, but we are making good progress in it. As we open more stores, we use our learnings from previous stores. We use technology to help us expand this business.

While there is competition, there will be competition in whatever we do. However, we believe that this is an important growth prospect for the company and will take the company forward in the coming years.

Last year, retail accounted for approximately 3% of the company's turnover. With the 160 crores that we expect to achieve, that will increase to 5%, 6%, or 7% of what the company will do this year. We are very confident about this new project, and we are very conservative in terms of how we want to open stores so that it does not adversely impact the bottom line too much.

The company is already generating sufficient cash flow. All the growth is happening through internal accruals. Therefore, we are in a well-positioned environment to use the cash flow generated by internal resources to expand the company into a new segment that is related to the existing business and will make the company more consumer-facing.

Deepak Malhotra – Capgrow Capital Advisors LLP: If we look at companies starting either with garments, fast fashion, or ethnic wear, I do not want to name publicly listed companies on a conference call like this, but they are facing tremendous pressure in terms of the capex they have

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undertaken, and we are not seeing any return on invested capital from it. Your point is valid in terms of there being sufficient opportunity in all 3 segments, but if you look at the balance sheet and the profitability these companies are reporting, that is the challenge. That is my concern.

Management: We are aware of the challenges in the market and how various people are approaching those challenges. We believe that there is value to be extracted from this segment, and that is why we have entered it.

There is no point in entering a business without profitability, and that is something that we value highly as a company. When we spend more money and incur capital expenditure 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 by the response. We have to approach it in our own way, and so far that seems to be the case.

Deepak Malhotra – Capgrow Capital Advisors LLP: Okay, one last point. How do you see the inflation seeping into the P&L numbers? What kind of recovery do you see going forward, over the next year or so, given these challenging times?

Management: It is very difficult to predict how the geopolitical scenario will pan out. The scenario is still 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. That normally is a gradual process. As we move forward, we will assess how things are and how they pan out, and accordingly take the required decisions.

We have always had an EBITDA guidance of about 14%. We believe it is too early to change that guidance because there is a lot of uncertainty. This 14% is obviously without the 150-basis-point drop. So far, we want to stick to that number and then see how it goes, given the uncertainty.

As the market develops, and that applies to everyone, we have to face it as an industry and take the required actions.

Deepak Malhotra – Capgrow Capital Advisors LLP: If you were to—sorry, just on the last point—in terms of quantifying the raw material inflation, have you seen such instances in the past as well? Given the company's long-standing history, how were you able to come out of those situations?

Management: All these cycles are cyclical in nature. They can never be permanent. There have been many instances where raw materials have increased drastically. COVID was also one of the most recent instances, when there were drastic increases and absolutely no demand, and the company came out of it even stronger than before COVID.

I think the history of the company, the company's strong position in fabrics and in the traditional business, and the strong cash flow that the company generates help us navigate these difficult times. They also help us establish new businesses, as you mentioned earlier.

Deepak Malhotra – Capgrow Capital Advisors LLP: Okay. Thank you so much, and I wish you all the very best.

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Management: Thank you so much.

Operator: Thank you. Participants, if you wish to ask a question, you may press star and one. The next question is from the line of Saumya Raghuvanshi from {? Nirva ?} Securities. Please go ahead.

Saumya Raghuvanshi – {? Nirva ?} Securities: Good afternoon, sir. Thank you for taking my question. Management has stated that larger-format Zencode stores were delivering better outcomes than smaller stores. Has this trend continued, or does it influence your future store expansion strategy?

Management: Yes, that is a trend that we are seeing very clearly. The main reason is that the product portfolio and the offering to the consumer that we have in Zencode are very large. There are men's, women's, and children's products. There are also beauty products, footwear, and fragrances. There is a lot of variety; it is a complete lifestyle store.

To provide the consumer with a better ambience and display everything properly, we feel that this kind of store size is very important. Obviously, when you go to malls, sometimes you have to compromise on that. In addition, a larger single-floor plate helps us display products better.

It is a mixed variety, but definitely, larger floor plates help us present ourselves better.

Saumya Raghuvanshi – {? Nirva ?} Securities: Okay, sir. My last question is: the retail business continues to require investment, while the core business generates strong cash flows. How are you thinking about balancing growth investments, dividends, and future shareholder returns over the next 2-3 years?

Management: If I look at the history, the company has been paying a 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 many years.

Now, of course, this new retail business requires capital expenditure, but that capital allocation is also very prudent and in a very limited manner. We spend approximately 1-1.5 crores on capex for furniture and security deposits per store, and approximately 70-80 lakhs on the inventory that a store needs. That is also managed within a very conservative and tight budget.

As we move forward, I do not see that the internal accruals and the cash flow generated by the company every year are insufficient for the requirements of retail expansion. The cash flow generated is significantly more than the requirement for retail expansion.

Of course, how the dividend and returns develop is something the Board decides every quarter. But so far, we have been able to manage that well.

Saumya Raghuvanshi – {? Nirva ?} Securities: Okay, sir. All right, sir. That is it from my side.

Management: Thank you.

Saumya Raghuvanshi – {? Nirva ?} Securities: Thank you.

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Operator: Thank you. The next question is from the line of Shalin Seth from Cheers Fund. Please go ahead.

Management: [inaudible]

Operator: Sorry to interrupt you, sir. Shalin, your voice is not audible; it is breaking.

Management: Hello.

Operator: Hello? Mr. Shalin, can you hear me? Mr. Shalin? We will move on to the next participant. The next question is from the line of Yash Mehta from {? [unclear] ?} Securities. Please go ahead.

Yash Mehta – {? [unclear] ?} Securities: Hello, am I audible?

Operator: Yes, sir, you are audible.

Yash Mehta – {? [unclear] ?} Securities: I have a few questions. Firstly, EBITDA margins have declined year-on-year despite healthy revenue growth. Was this pressure primarily due to retail investments, gross margin contraction, higher employee costs, or marketing spends?

Management: The largest part of the decline in EBITDA has been the raw material cost, which has played a part. Of course, retail has also played a part, but that is well within the budget that we indicated earlier. Raw material has been the largest factor.

Yash Mehta – {? [unclear] ?} Securities: Okay, understood. The retail expansion continues to be funded through internal accruals. As the store network scales further, do you expect the funding strategy to remain unchanged?

Management: That is something we will have to decide. So far, we have been providing guidance on an annual basis. This year, we have given a target of reaching approximately 70 stores by the end of the year, and we believe that will be entirely internally funded.

For 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 – {? [unclear] ?} Securities: Okay, understood. Lastly, are Tier 2 and Tier 3 markets continuing to grow faster than the larger cities? How are consumer spending patterns evolving across the premium and value segments?

Management: It is somewhat difficult to tell you whether Tier 2 and Tier 3 markets are growing faster than the larger cities because the traditional fabric business is largely in Tier 2 and 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.

The markets are looking good. The festive season seems promising. We have given increased revenue guidance, which indicates our confidence in the business and the market at the moment. So, we are very bullish about the guidance that we have given.

Yash Mehta – {? [unclear] ?} Securities: Understood, sir. Thank you so much.

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Management: Yes.

Operator: Thank you. Due to time constraints, we will take that as the last question. I would now like to hand the conference over to Devanshi for the closing comments. Ms. Devanshi, we cannot hear you.

Devanshi: ...taking the time out for this conference call to...

Operator: Sorry to interrupt. Ms. Devanshi, we could not hear you. Can you please repeat?

Devanshi: Yes, am I audible now?

Operator: Yes, please go ahead.

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

Operator: On behalf of {? [unclear] ?}, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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