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Date: 14.02.2024

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

Dear Sir / Madam

Sub: Transcript of the conference call held to discuss the results of Q3 FY 2023-24

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

1. The Copy of the transcript of the conference call held on Saturday, 10th February, 2024 to discuss the results of the Third quarter of financial year 2023-24 is enclosed herewith.

2. The Transcript also uploaded on the Company's website and the weblink of the same is:

https://sskl.co.in/wp-content/uploads/2024/02/Revised-HDFCSec-SaiSilks-Feb10-2024.pdf

3. The list of Management attendees is stated in Transcript

4. No unpublished price sensitive information was discussed in the call.

This is for your information and records.

For Sai Silks (Kalamandir) Limited

Matte Koti Bhaskara Teja
Digitally signed by Matte Koti Bhaskara Teja
Date: 2024.02.15 18:16:33 +05'30'

M.K.Bhaskara Teja

Company Secretary & Compliance officer

"Sai Silks Kalamandir Limited

Q3 FY '24 Earnings Conference Call"

February 10, 2024

MANAGEMENT: **MR. BHARADWAJ RACHAMADUGU – VICE PRESIDENT – SAI SILKS KALAMANDIR LIMITED**
MR. KVLN SHARMA – CHIEF FINANCIAL OFFICER – SAI SILKS KALAMANDIR LIMITED

MODERATOR: **MR. JAY GANDHI – HDFC SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY24 Earnings Conference Call of Sai Silks Kalamandir Limited. hosted by HDFC Securities. 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. Please note that the call duration would be for 45 minutes. 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.

I now hand the conference over to Mr. Jay Gandhi from HDFC Securities. Thank you and over to you.

Jay Gandhi: Yes, hi. Thank you, Yash. Hi, good evening everyone. This is Jay Gandhi from HDFC Securities. Welcome to Sai Silks Kalamandir Q3 FY24 earnings call. From the management at SSKL, we have Mr. Bharadwaj Rachamadugu, Vice President, Sai Silks Kalamandir and Mr. KVLN Sharma, Chief Financial Officer, SSKL. Before we start, we would like to point out that some of the statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been made. Kindly note that this call is meant for investors and analysts only.

If there are any representatives from media, they are requested to drop off immediately. With that, I hand over to Mr. Bharadwaj for his opening remarks.

B. Rachamadugu: Thank you, Jay. Hello, good evening, ladies, and gentlemen. Thank you for joining with us today to discuss the Sai Silks Kalamandir Limited results for the third quarter FY24. I wish you and your family season's greetings and also a very happy new year. I have with me with Mr. KVLN Sharma, CFO of our company.

Let me first start giving you an update on the ethnic retail market scenario for quarter three. The quarter has started off with Pitru Paksha, which lasted for the first two weeks of October. This is the time in which customers generally believe it to be inauspicious and generally do not choose to make new purchases.

Soon after that, we have witnessed the festivities of Dussehra and Diwali, which has been clubbed with the wedding season, followed by Christmas. I would also like to bring to your notice that during the initial days in the month of December, there was a cyclone impact in the coastal regions of Andhra Pradesh. This has crossed crop losses, thereby impacting the purchase power in the region.

The impact of cyclone was also present in Chennai and had caused water clogging on the streets, which has slightly impacted the free movement in the city. Overall, the market has been oscillating largely between the occasions and the non-occasion days. We believe that this oscillation is a sign that the ethnic retail market apparel scenario has not been very upbeat and had shown some signs of slowdown.

This effect was clubbed with the weak economic consumer demand consumption in the overall sense. With regards to our operations, in the first full quarter of operations post-listing, we have opened about 24,800 square feet retail space by adding three new stores of Varamahalakshmi Silks. That has now put us to a total square footage of about 6,28,000 square feet across the country.

Our retail stores are now present in about 13 cities and four states, and as we actively continue to focus upon setting up our new stores in the next quarters to come. In the month of January, we have added another additional 8,000 square feet store, totalling up to an addition of about 32,000 square feet approximately. And we also aim to add another 21,000 square feet by the end of Q4.

With that, we aim to achieve a little bit of about more than 50,000 square feet addition in this fiscal year. We did a revenue of about INR382.5 crores this quarter compared to last year of INR378.6 crores. Our gross margin this quarter stood at 39.96 compared to 39.80 last year. Our PAT for the quarter stood at 31.98, which is 8.36% compared to last year of INR31.3 crores, which is about 8.28%.

Our nine-month PAT stood at INR72.13 crores. In this quarter, we have made good progress in our banking arrangement restructuring that will bring up efficiencies in the upcoming quarters to come. On the strategy front, we are planning to open the next set of stores in the strategic locations of Tamil Nadu. In terms of customer base, we have a strong customer base currently of about 6.4 million and are actively growing as we expand.

The contribution coming from the loyal customer base also continued this season. We are continuously studying and understanding the store profiling, the product profiling, and the sale patterns coming in from our newer geographical stores in Tamil Nadu. By learning our customer journeys, taste, and preparation analysis across all regions, and therefore curating the right products to be available in our stores.

We are very optimistic about the growth of our company as we plan to expand our brand into one of the biggest markets of ethnic retail in India. We believe that our strategical focus will help the company achieve greater milestones in the years to come. I will now hand it over to the operator and will be happy to answer any questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Vipin Goel from Mirabilis Investment. Please go ahead.

Vipin Goel: Hi sir, thank you for the opportunity. Sir, I had a question on the store addition outlook. So, at the beginning of the year, we had guided for 10 stores and I suppose till last quarter, till H1 we had not added any and till this quarter we had added three until last quarter. So, where are we in terms of store addition and where do you see this going by the year end?

B. Rachamadugu: Yes, so thank you for that question. So we -- as I already did mention, we added about three stores and the fourth store has also been added in the month of January. By the end of this year, we plan to add another three stores. So generally when we try to add, we are averaging the store addition square feet about 5,500 to 6,000 square feet per store area.

But in the select potential areas, there are chances where we can get about 7,000, 7,500 square feet as well. So that is also one of the stores where we have added in January, either having a store square feet of about 8,000 square feet. So whenever these sort of opportunities comes up in the potential areas, we tend to add.

But on the broad sense, we aim to achieve 50,000 square feet by the end of this year. That's what we have targeted for. And that is very much in line to the expectations of completing those 50,000 square feet by the end of this fiscal year.

Vipin Goel: Okay. So it might land us somewhere near seven to eight stores for this year, based on the spread?

B. Rachamadugu: Correct. You're right.

Vipin Goel: Okay. Okay. So one more question, and it's kind of a very basic one, just to understand more about your business is that -- and you can correct me if I'm wrong here. So what we understand is that the gross margin in a premium retail saree business can usually go up to of 50% or so. And this is for, let's say, a cotton chiffon or georgette saree premium format.

I'm talking about, where a retailer usually procures it from a semi-wholesaler, who further procures it from a wholesaler, and then who eventually procures it from master weavers. So we, on the other hand, are procuring directly from third-party vendors and master weavers. So there's no wholesaler in between.

And despite that, I mean, the gross margin that we are making is in the range of 40%. So is there any reason why this is so? Is it like because our products are priced lower, or is it because these economies -- there's been economic changes for a silk saree in contrast to a cotton or other premium saree format?

B. Rachamadugu: Yes. So to answer the question, see, that's an in-depth question, but then I'll try to explain a few data points that might help you answer that question. So when we talk about the price points, let's say, see, there are categories of silk Sarees where it actually yields lesser gross margins. This tentatively, technically, are considered to be gifting Sarees, where these are simplistic Sarees that people give for wedding and occasions.

This is a component of saree that comes in with lower price margins, because the volume will be much higher to these sort of products. On the grand scheme of things, as long as you're in the handloom space, where it is not a power loom driven with wholesalers in between, handloom generally do have different price points where we can command a gross margin. But the idea for our format historically has been to give the best value for money.

And that's the reason why we price our products very, very sharp. If you see our silk sarees, which majorly is hosted with our Varamahalakshmi segment, we do not believe in pricing it a little bit and trying to liquidate through end of season sale. That's one point. Why we sharply price our products to about 40%-42% overall to ensure that we have a repeat customer.

The reason why we wanted to price it so sharply is because if you take a Varamahalakshmi format as of now, we have a repeat customer base of about 50%. So that is a number where we believe is only achievable when you are able to show the customer a value for money. And across the board, so the range is anywhere from around -- it starts from around 30% to around 60-70% as well.

To answer your question a little bit more, yes, we do have products which command a margin of 60%, but we also do have products where we command a margin only of about 25%-30%. So on a blended manner, that's where we end up making about a gross margin of about close to 40%.

Vipin Goel: Got it. That's very helpful, sir. Okay. And just last one on this, other expenses, if you can just shed some light on the INR 5 crores increase that has happened year-on-year and quarter-on-quarter. So is it linked to store expansion largely or any large item here?

KVLN Sharma: Yes, this is Sharma here, , there are two aspects here. One is on the employee costs and the other is on the other expenses. In respect of other expenses also, it is proportionate to the store additions that we have done. During this period. So obviously, when we, last year on a Y-o-Y basis, so we will have approximately eight-nine stores, except eight stores, etcetera.

And the increase in other expenses is also almost proportionate, where we go rent store expenses and electricity charges, etcetera.

Vipin Goel: Got it. Got it. Sure, sir. This really helps. Thank you. Thanks for the opportunity. Thanks.

Moderator: Thank you. The next question is from the line of Ganesh Nagarsekar from Bharat Bet Research. Please go ahead.

Ganesh Nagarsekar: Hello, sir. So my question is primarily related to the like-for-like sales growth for our business. So in this quarter, it seems to be on the lower end and in general, also you're guided for say 3%-4% like-for-like sales growth. So just wanted to check if there is anything that we could do strategically either on, say, the brand building or advertisement side of things?

Or even within store, I think you had said that you've got around 50% odd repeat business. So whether we could have some sort of a loyalty program or something going on to increase the like-for-like sales growth or strategically, how are we thinking about that factor of the business?

B. Rachamadugu: So, Ganesh, thanks for the question. So in terms of our customer base, we're actively ensuring that our repeat customer base remains more than 50%. The thing that we do is like our CRM campaigns, as whenever we run, we ensure that the target market to our customers, whatever they -- based on their old previous sales history, those are the kind of CRM techniques that we use to reach out to our customers.

In terms of branding per se, historically, what we have done for a few of our formats is word of the mouth, seem to work very, very well.

But I don't think this will be the case in the next quarters to come because these stores are continuously being monitored in terms of the right product being profiled in terms of what the customer's expectations. So it's a continuous activity for us in terms of making sure our customers come back to us again and again.

And this number has historically also not affected us. The repeat customer rate still stands strong. In a select format with respect to other formats in specific cases in specific stores, our repeat customers also went up to 55% to 60%. So it's a continuous activity with respect to product profiling, store profiling, reaching out to our customers, ensuring that there are newer categories of products being introduced in these stores.

A combination of all of these things together is where we believe will be the right essence. And a part of the SSGs also attracted in a few of our select stores, if I have to look at the overall sense, there are some external factors that have also caused us to do a little bit of a slow age in terms of the SSGs.

In a few of our stores, what we have observed is there has been some road blockages in specifically in our store in Chennai. These factors are outside of our control and we don't think that this is going to sustain for years to come. This is a temporary effect and we believe that this effect will be soon subsided when the markets turn to be positive.

KVLN Sharma: To add a little bit to that, if I had to tell you, in the Q3, in our premium format, Varamahalakshmi format, we are close to neutralizing on a year-to-year basis, like-to-like basis. So whatever was the shortfall before period, that is for the first six months, there was a shortfall. But in Q3, because it is a festive and occasion season, we were able to match almost nearer to last year's figure on like-to-like stores.

Only because the deterrent there, along with those difficulties with regard to the cyclone and Pitru Paksha, the value fashion segment, the KLM segment, could not recover on a like-to-like basis. So the major positive point here is that on a like-to-like basis, the Varamahalakshmi format is coming back to normalcy and obviously the additional new stores will add further going ahead.

Ganesh Nagarsekar: Understood. Got it. And so in terms of the broader brand building, do you focus on keeping it broadly word for mouth as well, or as we reach a higher scale, do you plan to invest more in terms of our brand building and advertisement efforts there?

B. Rachamadugu: So yes, I think to add to your point, we started campaigns such as First Saree with Varamahalakshmi campaigns. So this is more of the brand building side, not technically advertisement, to your point. So yes, we have started these campaigns in the last couple of weeks, and we focus to run such interesting campaigns that will run throughout the entire next year as well.

To enhance a little bit more on this, we have extended our agreement with Shruti Hassan because we are moving deeper into Tamil Nadu market and we believe that phase has always worked for us and we have extended the agreement with her. And this, we believe, will help us penetrate a little bit deeper into the market.

Ganesh Nagarsekar: Understood. Just to understand, where do you broadly run these campaigns? I mean, which channel do you run these campaigns through?

B. Rachamadugu: So the Varamahalakshmi Silks, what I just spoke about, has started digitally. We are planning to make it a little bit more vibrant in the other channels as well. Right now, the entire Varamahalakshmi focus, whatever branding strategy we have fallen is completely digital. But if you talk about the Varamahalakshmi format, there is, in terms of advertising and marketing, whenever a new store opens.

We do a little bit of launch activity, you can say, wherein we bring in a celebrity face to come open that store and we create a lot of noise in the streets and things like that. So this activity will generally happen. Over and beyond this, we are starting new campaigns in terms of branding.

Ganesh Nagarsekar: Understood, understood. Got it. Thank you. Thanks a lot. That helps a lot. Thank you. That's it from my side.

Moderator: Thank you. The next question is from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan: Hi. Thank you for taking my question. So I wanted a better understanding of your store expansion strategy. If I remember correctly, you previously mentioned that all the stores are going to be coming up in the next couple of years in Tamil Nadu. And all of these are in the VML format. Why are we not opening more of these VML formats in our home states of, say, Andhra and Telangana?

Is that market more or less saturated? And if not, how many stores can we open there?

B. Rachamadugu: Yes. Thank you, Amit. So with respect to our current store presence, if you talk about a Telangana and Andhra market, an example of Telangana market, we have about 24 stores just located in Hyderabad alone. And we have one store in Khammam. The other parts of Telangana are very much open to explore. If we talk about other places, like Warangal, there are many other places in Telangana where we can expand.

The strategy why we went ahead with Tamil Nadu market to begin with right now is Tamil Nadu has a better and a bigger market potential compared to our home states of Andhra and Telangana put together. And our presence in Tamil Nadu as a state is very minimal. So when we strategize this, when we expand our Tamil Nadu presence from around two stores to about 20-25 stores, what happens is like because you're playing in a much bigger market which has a better appetite for our Varamahalakshmi stores.

And the reason why we went ahead with Varamahalakshmi is, Varamahalakshmi, maximum -- majority of the product profile that we try to sell is silk based. And Tamil Nadu as an audience prefers silk sarees majorly for any of the festivities and occasions. Because this particular format sings very well in the Tamil Nadu market, the market in itself is higher than Telangana and Andhra put together.

That's the reason why we wanted to aggressively expand into these areas. Not to also mention, Tamil Nadu as a market has already been established with a lot and lot more players who have been operating in these markets for years to come. So the market is actually there. With our organized ways and with our improved data intelligence models in terms of sourcing and procurement, we believe our Tamil Nadu expansion story will be much easier.

With that being said, our current store that we currently have, let's say for example Telangana and Andhra, we still do have potential places around, maybe around 20-25 places easily at this point of time. But the idea is we wanted to complete our expansion in the Tamil Nadu region first before coming back into this region.

Just one other point if I have to say, the Tamil Nadu expansion is in a continuous basis because if the stores reaches to a certain number, it becomes easier for us to move the inventory from the one store to the other store and therefore the inventory management also become a little bit more effective. So these are a few factors why we believe our expansion strategy is now driven deeper into Tamil Nadu.

Amit Khetan: Understood. And if I were to just expand this a little bit -- if you were to just restrict yourself to the southern states, four or five states in the south, where do you see your total store count going? What's the potential here?

B. Rachamadugu: So I think to answer that question, as I did tell you, our city presence currently is just 13 cities. We have about 58 stores right now. Our city presence is only 13 cities and last year we have clocked around INR 1350 crores of revenue. So just in Tamil Nadu, Tamil Nadu being having a combined potential of Andhra, Telangana, if I take that number, which happens to be around 80% of our revenue last year, that alone will come from Tamil Nadu.

And Kerala is still yet to be explored from us. And these are just the south Indian states that I'm talking about. But when I actually speak to you about other parts of Tamil Nadu, Telangana, and Andhra, and even if I have to talk to you about example about Karnataka as a market, only in Bangalore I have stores. The rest of Karnataka is open for me to explore.

So taking all of these into consideration and other 100 store additions should be possible in the southern states. A little bit more on why are we currently in the southern states is because south as a market currently we believe has much bigger potential for the kind of product offering that we currently have.

But when we move into newer geographies, more into north, I think since we already have our products in different-different buckets for different target audience, by making adequate changes, we should be able to target the market in the northern markets, western and eastern markets as well.

So it's just a matter of time where we wanted to like have a cluster-based expansion. That is how we have been following in the last 18 years. We pick one cluster at a time, one, and expand a little bit deeper. Once we get to a store count, which is able to help us effectively manage the back end, that's when we move to newer and newer clusters.

Amit Khetan: Got it. My next question would be on the VML format. Is there a difference in the sales per square feet between Tamil Nadu stores versus Andhra and Telangana or Karnataka?

B. Rachamadugu: So generally, if I talk about the products per se, the ASP is that VML in Tamil Nadu will be different compared to Andhra and Telangana. That again comes from region-to-region specific. Now, a Chennai store versus a Salem or a Madurai store has a different potential altogether. So on a broader scale, in a tier one city, generally where the appetite is higher, we see a higher throughput coming from those stores.

On the other hand, we do have some stores in Andhra, in tier two and tier three regions, which command a bigger and a better ASPs and a better throughput coming from these stores compared to that. So it completely depends on the kind of area that you're in, whether it's an agricultural belt, whether it's a city or whether it's a normal populated tier two kind of a place.

It completely depends on where we put these stores up. Tamil Nadu has one great advantage, which is even though the capital of Tamil Nadu is Chennai, which commands a bigger piece of the whole revenue, Tamil Nadu as a state has industrially grown in part two, part three. Like say if you have Coimbatore, you say Madurai, you have Trichy.

These are all other places which have industrially grown, which has that kind of a purchase power in the tier two and tier three places as well. And that's the reason why our expansion is not just in the city of Chennai, but we're expanding in other parts as well.

Amit Khetan: Got it. No, but if I were to just compare, say, Hyderabad versus Chennai, what would be the difference in the throughput of a similarly sized VML format store?

B. Rachamadugu: Hyderabad currently has about six stores. If you have to talk about that, I think close to around INR50,000 is what as a format it does. And Tamil Nadu commanded a better average than Andhra and Telangana.

Amit Khetan: Sorry.

B. Rachamadugu: Tamil Nadu did command a premium over Telangana.

Amit Khetan: Okay. What's the extent of the premium? I'm just trying to get a rough sense?

B. Rachamadugu: I think around 15%.

Amit Khetan: Got it. If Hyderabad is at INR50,000, then Chennai would be about INR50,000, INR57,000, INR58,000?

B. Rachamadugu: Yes. So INR50,000 is the blended average that I've given across. Of course, the things will change, but overall you can take a 15% premium in the Chennai market compared to Hyderabad.

Amit Khetan: Got it. Got it. Thank you and all the best.

B. Rachamadugu: Thank you.

Moderator: Thank you. We have a next question from the line of Yash Sonthaliya from Buoyant Capital. Please go ahead.

Yash Sonthaliya: Thank you for taking my question. So my first question is, what has been your experience in Chennai and Tamil Nadu with the new stores you have opened in the last few months? How has it performed?

B. Rachamadugu: Yes. So Yash, our new stores, the latest stores, we have opened two stores in Coimbatore. We have opened one store in Poonamallee in Chennai and the other one in Salem. These three stores actually have, every store we are trying to co-pilot based on the learning that we have achieved in the past 10 to 15 years of our Varamahalakshmi Silks.

So what we have identified is that Varamahalakshmi stores generally in Hyderabad, not just silk Sarees, we cater to other non-silk such as fancy Sarees like Banaras, Bandhanis, Paithanis as well. Our Tamil Nadu audience are a little bit mellow in terms of the taste and preferences. So they are choosing majorly silk Sarees as a component.

This is one learning that we have found. Apart from Chennai, in terms of tier two such as Salem and Coimbatore, the ASPs generally are a little bit lower compared to a tier one city. So this is number two. And what we're trying to learn is trying to categorize each and every store in terms of the right product mix.

Generally, what we try to do is whenever a new store is open, around 60 to 90 days, we carefully analyse the purchase patterns, the sell-throughs of every product in every category. And over that basis on that learning, we come up to a product profiling and a store profiling that fits the right target audience of that particular facility.

So this is a continuous activity for every store. So we spend about two to three months trying to understand, trying to learn this better. And these are a few of our learnings that we have encountered in our recent stores. And we are making those necessary steps to ensure that our stores are [productly], I mean rightly profiled before we move into newer stores.

So the ideal timeline that we give for our store to have the right product mix would be around 90 days.

Yash Sonthaliya: Understood. And my second question is, like you already mentioned in the opening comments, there is slowdown in the demand. So are we revising our store expansion plan for FY25 and FY26?

B. Rachamadugu: No, yes, I think we are solid in terms of our store expansion. I think our plan is intact. We wanted to open around close to 50,000 square feet by the end of this FY. And that's in line. We aim to achieve that. And for the next year also, we plan to open an addition of about 15 to 18 stores, which is totalling of about one lakh addition of square feet.

And the plan is intact. These slow ages in terms of the market is temporary. And the grand scheme of things, the market seems to be solid. Our business model seems to be solid. So there is nothing to be worried of at this point of time for us in terms of our expansion slowing down.

Yash Sonthaliya: Thanks a lot for answering my question. Best of luck.

Moderator: Thank you. The next question is from the line of Himanshu Dugar from Safegainz. Please go ahead.

Himanshu Dugar: Yes, hi. Thank you for the opportunity. First question I wanted to ask was, could you kind of use some quantifier or some kind of qualitative number around what number of days are lost on a Y-o-Y basis due to say weather or the festival season kind of falling in different months?

B. Rachamadugu: Himanshu, can you repeat your question? I think I lost you in between.

Moderator: Himanshu, can you use your handset mode, please?

Himanshu Dugar: Yes. Am I audible now?

KVLN Sharma: Yes. In respect of days lost that you were mentioning, October month, 15 days, first 15 days were with Pitru Paksha. That is the period when it was slow on pickup. And secondly, in Chennai, because of the cyclone and the restrictive movement, it was approximately from 2nd December to 12th to 13th December. That's about 10 to 12 days during first fortnight of December.

In Andhra, it was not about the logistics or restrictive days. But since it is just before Sankranti and then the crops got damaged, the purchasing power itself has come down. That is how we have seen a lesser euphoria with respect to the festival and weddings in Andhra.

Himanshu Dugar: I mean, specifically to Tamil Nadu, you mean to say around 10 to 15 days was lost because of the weather and which was like a different thing.

KVLN Sharma: 10 to 12 days. Effectively, it is from 2nd December to approximately 14th December. Not in the entire Tamil Nadu, in Chennai.

Himanshu Dugar: Got it, sir. The second question was, in terms of Chennai, because you mentioned a point on metro kind of impacting a bit on your revenues. So what were the peak revenues that you used to have in Tamil Nadu on a per store basis or total number? And how do you see that coming back in the coming years? I mean, in the coming quarters once the metro kind of normalizes?

KVLN Sharma: Metro is only for one store, Mylapore store. And that too, it has already been one and a half quarters since that stoppage has come. We are expecting that it will be there for another one quarter or two quarters perhaps. And the impact would be approximately around INR10 to INR20 crores, anywhere between INR10 to INR15 crores on the turnover.

Himanshu Dugar: Got it. Got it. Another question on Tamil Nadu market specifically is, given that there are quite a few organized players as well operating here and you look to expand significantly. So broadly, the trade has to be between customers moving from unorganized to organized. So what is your estimate of, what is the unorganized silk saree's market in Tamil Nadu? And how do you think it shapes up between organized and unorganized? Like how the trend is shifting going ahead?

B. Rachamadugu: So yes, I think I'll answer that question. So the unorganized still plays a major role in Tamil Nadu because we are not just talking about Chennai as a city. Our presence now is into tier two, tier three. Most of the tier two, tier three competition is coming from the unorganized players. So if I were to take about the whole point just in Tamil Nadu, I think a 30-70 ratio, 30 being organized and 70 being unorganized is currently where we stand.

But the differentiation comes in us when a brand gets into the picture, the kind of product offering, the kind of careful market study, market analysis, product profiling. These are things that can put us stand out compared to the unorganized play. And the shift is something that we are seeing. Majorly, people are coming back to us. The repeat customer rate is one factor that can strongly tell that people who come and buy with us are coming back to us again.

Himanshu Dugar: Sir, could you quantify number, like what could be the size of the organized-unorganized silk saree's market? Any estimate that you would have?

B. Rachamadugu: I think the total Tamil Nadu market is around INR15,000 crores, if I'm not wrong. I'll give that data again. Out of that, I think 30% is currently organized and 70% is unorganized. So that shift is moving towards unorganized being moved towards the organized.

Himanshu Dugar: Understood. One last question from my end. Given that now you are focused on Varamahalakshmi stores expansion and the market of Tamil Nadu, what could you say over a three-year period? How do you see the gross margins and EBITDA margins kind of change? Sorry, the gross margins and the other part is ad spend. How do you see that changing going ahead?

KVLN Sharma: See, once Tamil Nadu expansion is complete on a cluster model, then obviously we will have economies of scale kicking in and then faster and real-time movement of merchandise between the stores. So the cluster advantages, the volume advantages, etcetera. will kick in. And the backup inventory requirement at the warehouse would also substantially come down.

So taking these factors into account and Tamil Nadu itself being a premium market for silk Sarees, we are expecting that there should be an improvement in the gross margin to the a minimum of at least four to five percentage points by the time we complete our expansion and going into the full-scale operations at that time. That is, let's say by the year FY26.

So we should be on a gross margin level of anywhere between 46% to 47%. And since these are all -- if we are able to achieve the full-scale productivities, the EBITDA margins will also increase by the same percentage.

Himanshu Dugar: Just one point on the ad spend, if you could just highlight, how do you see that going ahead? Do you plan to expand that?

KVLN Sharma: Varamahalakshmi, normally we do not do a major ad spends. It is through word of mouth and then digital marketing ads, etcetera. So there will not, while the company's average for ad spends is about anywhere between 3% to 4%, the Varamahalakshmi's ad spends would not be more than 1.5% or so.

Himanshu Dugar: Got it, got it. Thank you, sir. Those were the question for me.

Moderator: Thank you. We have a next question from the line of Dhairya Trivedi from Djt Investments. Please go ahead.

Dhairya Trivedi: Hello, sir. Thanks for taking my question. I suggest if you could please reiterate your SSG growth for all the formats for this year.

KVLN Sharma: Pardon? Come again?

Dhairya Trivedi: SSGs for all formats. Yes, sir. Your SSG growth for all formats for Q3 FY24 versus the corresponding quarter of last year, please.

KVLN Sharma: Q3, Q3 SSGs in respect of VMLs were almost flat. It should be anywhere between minus two or so. The major impact has been in KLM format, the value fashion segment, wherein it was at least around 10% minus SSG. Otherwise, VML it's very minimal and it is recovering faster. The Q3 being the festive season, wedding season and all that, the value fashion segment has not picked up as we expected and as VML format did.

Dhairya Trivedi: Okay. So, sir, on a blended basis, is it flat or slightly negative for the year?

KVLN Sharma: Slightly, on a blended basis, it is negative only. It is negative to the extent of about 78%.

Dhairya Trivedi: No, sir. I'm asking across formats, not for KLM.

KVLN Sharma: Blended only, I'm telling, for the nine months period.

Dhairya Trivedi: Okay, okay. And what is the SSG guidance going forward for FY25?

KVLN Sharma: We have already initiated discussions amongst our teams with regard to this SSGs and we are taking effective steps to overcome this. So, we should be able to see much improvement in the fourth quarter itself in respect of SSGs. And so, our first target during this year, at least in Q4, would be to come to a neutralized situation on SSGs, SSGs. And then next year, we would target for at least 2%-3% improvement on SSGs.

Dhairya Trivedi: Okay, sir. Thank you. Thank you in all the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for closing comments. Over to you, sir.

B. Rachamadugu: Thank you all for joining us with us today and hope to reconnect back in the next quarter results. Have a great weekend. Thank you everyone for joining. Thank you.

Moderator: Thank you. On behalf of HDFC Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your line.