

October 27, 2021

The Manager
The Department of Corporate Services
BSE Limited
P. J. Towers,
Dalal Street, Mumbai - 400 001
Scrip Code - 540775

The Manager
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051
Symbol - KHADIM

Dear Sir / Madam,

Ref: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)

Sub: Outcome of Investor Meet

This is with reference to our intimation dated August 21, 2021 and August 24, 2021 with respect to Investor Meet held on Tuesday, August 24, 2021.

Pursuant to the provisions of Regulation 30 of the Listing Regulations, we enclose herewith the concall transcript of the said Meeting w.r.t Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended June 30, 2021.

Kindly take the same on record.

Thanking You,

Yours faithfully,

For **Khadim India Limited**

Company Secretary & Head- Legal
ICSI Membership No. A21358

Encl: As above



frontoffice@khadims.com



033-4009 0501



033-4009 0500

www.khadims.com

KHADIM INDIA LIMITED

CIN : L19129WB1981PLC034337

REGISTERED OFFICE : 7TH FLOOR, TOWER C, DLF IT PARK, 08 MAJOR ARTERIAL ROAD, BLOCK AF, NEW TOWN (RAJARHAT), KOLKATA - 700 156
CITY OFFICE : 7A, LINDSAY STREET, KOLKATA - 700 087



“Khadim India Limited
Q1 FY2022 Earnings Conference Call”

August 24, 2021



**ANALYST: MR. GIRISH PAI - NIRMAL BANG INSTITUTIONAL
EQUITIES PRIVATE LIMITED**

**MANAGEMENT: MR. SIDDHARTHA ROY BURMAN - CHAIRMAN &
MANAGING DIRECTOR - KHADIM INDIA LIMITED**

**MS. NAMRATA CHOTRANI - CHIEF EXECUTIVE
OFFICER - KHADIM INDIA LIMITED**

**MR. INDRAJIT CHAUDHURI - CHIEF FINANCIAL
OFFICER – KHADIM INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY22 Earnings Conference Call of Khadim India Limited hosted by Nirmal Bang Equities Private Limited. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Girish Pai from Nirmal Bang Equities. Thank you, and over to you, Sir!

Girish Pai: On behalf of Nirmal Bang Institutional Equities, I welcome you all to the interaction with the management team of Khadim India Limited to discuss the Q1 FY22 results. We have with us Mr. Siddhartha Roy Burman, Chairman & Managing Director; Ms. Namrata Chotrani, Chief Executive Officer and Mr. Indrajit Chaudhuri, Chief Financial Officer. Without further ado, I will hand over the floor to the Khadim management to make their opening comments after which we will open the floor for Question & Answer. Over to you Mr. Burman!

Siddhartha R Burman: Namaskar. We welcome you to our conference call to discuss the first quarter results of the financial year 2021-2022. Hope everyone continues to be safe, and I would like to start off by appreciating the relentless effort of our COVID warriors.

After having most of our store network open in Q4 FY21, we saw footfalls recover to the pre-pandemic levels. Unfortunately, the encouraging trend was halted by the emergence of the second wave. The lockdowns following the second wave led to closure of stores from April to May and we reopened some stores in late June. However, the impact on business was not as serious as what we saw in Q1 FY21, as we were better prepared this time. Our strategic initiatives throughout the pandemic like stores calibration, raw materials and inventory management, have all helped to ease the impact of the lockdown in Q1 FY22.

Hence, we saw a considerable improvement year-on-year in terms of revenue and margins. Retail business has showed a good recovery and distribution business continues to do well. We have uploaded a comprehensive presentation explaining our business model and summarizing our plans. Hope you have had a chance to go through the same.

Coming to our performance for Q1 FY22, on a year-on-year basis compared to Q1 FY21 the total revenue increased by 46% from Rs.60.4 Crores to Rs.88.2 Crores. The revenue from retail segment is up by 75% from Rs. 22 Crores to Rs. 38.7 Crores. The revenue from distribution segment increased by 26% from Rs.39.8 Crores to Rs.50 Crores. Gross margin saw significant improvement from 41.4% to 43.7%. EBITDA loss has narrowed down to 36 lakhs from Rs.14.2 Crores.

Khadim India Ltd. is committed to maintaining the highest standard of hygiene and safety at our stores. Most of our company staff members have now been vaccinated and we are also taking steps to vaccinate staff at stores.

It gives me immense joy to announce that we will be shifting our corporate office next month. We thank everyone for this support and look forward to delivering value to all stakeholders. Namaskar!

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Firstly, wanted to understand have you seen any sharp recovery in July and August month in terms of footfalls and billings for retail?

Namrata Chotrani: Mr. Shankar thanks for your question. Yes, recovery has been better compared to last year wherein people are more adept in handling COVID, managing themselves and keeping themselves secure yet coming out and shopping. So, the recovery has been good to the extent of 75% to 80%.

Deepan Shankar: Have you taken any price increase during Q1 and Q2 of this year and are we seeing any early trends of customers moving up to higher value products?

Namrata Chotrani: We have taken price increases in the distribution and retail segment. In the Retail segment, we had taken price increases late last year, not in Q1, and the same has started showing impact in Q1. In the distribution segment, we have taken price increases in Q1 and Q2 across various categories of products. Sorry, what was your second question?

Deepan Shankar: Are we seeing any early trends of customers moving to higher value products?

Namrata Chotrani: Yes, there is premiumization happening. In terms of sub-brands as a percent of sales, we are constantly seeing an improvement. To give you a perspective, the sub-brand as a percent of sales in Q1 FY22 has been 55% versus 51% in the first quarters of the previous two years. So, we are seeing premiumization in products. There is normalization in buying compared to last year. Last year there was more focus on buying the low-priced products and home based products, but now as normalization has come in, we are seeing the improvement in the category wise sales and sub-brand wise sales.

Deepan Shankar: Lastly, we were talking about launching new range of products for the distribution segment. Has it already launched and how has been the response for distribution performance?

Namrata Chotrani: We have launched new products and early this month, we had a distribution meet where there was a good response for the products. The sales for the festive season had just started in the distribution segment. We are hopeful of getting a good response. We are continuously improvising on our

products and investing in people as well who will help us create this kind of product range. We are seeing a good improvement and we are getting a good response from our distributors.

Deepan Shankar: Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Naitik Mody from OHM Portfolio. Please go ahead.

Naitik Mody: Thank you for the opportunity. Two questions, one is could you share the volume numbers for FY21 for both retail as well as distribution?

Namrata Chotrani: Can I get back to you on this shortly if you do not mind?

Naitik Mody: Yes, that is okay, and the second question is on what would be the gross margins for our non-Khadim brands and what would it be for Khadim?

Indrajit Chaudhuri: Sub-brands margin would be in the range of 52% to 55% and in Khadim it is 48% to 50%.

Naitik Mody: Thank you.

Moderator: Thank you. The next question is from the line of Monika Arora from Sharegiants Wealth Advisors. Please go ahead.

Monika Arora: Thank you for giving me this opportunity. Due to the pandemic, we have seen a lot of brands offering discounts to pull customers. So, wanted to understand how is the situation with us? Are we also offering discounts to pull customers? Can you throw some light on that?

Namrata Chotrani: Thanks for your question Monika. Yes, we are offering discounts which are mainly from a two-pronged perspective. Customers are looking for deals right now and it is more of a strategy to get footfalls, it is a marketing tactic more than a business tactic. It is also helping us to liquidate the older stock in our system, so it is helping us in both the ways. It is not coming at the cost of severe gross margin impact.

Monika Arora: We have seen various brands having a different category for the online segment and a different category for their on-store sales. Are we also having this kind of arrangement for our online sales?

Namrata Chotrani: Yes, we have omnified all our stores which means that if any customer walks into our store and if there is an unavailability of price or color of their choice, it is delivered to them from the closest possible store in next few days. Also, we are proactively reaching out to our loyal customers through digital catalogues and WhatsApp links to encourage them to buy online. So, we are seeing a good amount of impact over there. Secondly, as we are servicing the online orders of our website, Myntra orders and orders from some of the other websites, through the stores as well. We are able to use our

stores more efficiently to reduce our logistic cost, improvise on our working capital efficiency and also customer delight.

Monika Arora: We are present on Myntra, Amazon could you name other portals where we are present?

Namrata Chotrani: We are present on all the market places. We are present on Amazon, Flipkart, Myntra, and Ajoio. Many of the market places have not developed some part of the omnification, because of this we have not gone ahead and omnified them as well. We have omnified where the market places have the infrastructure and the ability to manage the entire returns and the forward sales effectively.

Monika Arora: In the previous quarter you mentioned that your e-commerce sales has been the highest in the Company's history, so does that remain the same for this quarter as well and also if you can throw some light on what is our strategy going forward for the online business?

Moderator: I am sorry to interrupt Ms. Monika Arora we cannot hear you. Your voice is breaking Madam, can you please check. As there is no response from the line of the participant we will move on to the next question.

Indrajit Chaudhuri: From Mr. Naitik Mody, there was a question on the sales volume, so, I am giving the answer. 70 lakhs pairs for retail and 2.95 Crores pairs for distribution.

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

Amit Khetan: Good evening. Thank you for the opportunity. Sir, my question is from a slightly long-term perspective. If I look at your gross margin that has been at the corporate level of around 35% and we have a mix of both retail and distribution business. Now if I look at your listed peers both Bata and Relaxo, they have gross margins of around 55%-56%, so what is the reason for this difference and how do we see our gross margins going forward over the next five years?

Namrata Chotrani: Thanks for your question, appreciate it. On the retail side, our Company owned outlets' gross margin is very much comparable to the rest of the retail companies that you see in the country. Just to give you a perspective, in our company owned outlets, we have a gross margin currently around 53.4%. The reason that you are seeing a lower average retail margin is purely because we have a substantial franchise business where we have to leave some money on the table for them as their margin, so that it is a commercially viable proposition for them to run the business. That is why the average margin reduces, but that does not mean our product margin is not comparable to the industry. On the distribution side, we have a margin of approximately 36%. Yes, it is relatively lower compared to the competition with Relaxo but I think we are creating the kind of products and also working on the product premiumization to ensure that we will bridge the gap hopefully in a couple of years.

- Amit Khetan:** Sure, I understand your point regarding lower margins and leaving some margins on the table for the franchisee but that would also mean a lower working capital which is not the case for us. So, just trying to understand, is it the matter of scale, is it something else because of which we have an inefficient working capital than our peers?
- Namrata Chotrani:** What makes you believe our working capital is not efficient enough? In terms of inventory, our target is almost three, three and a half months of inventory on a normalized basis. Looking at the working capital as on today or last year will be incorrect because the sales have dropped substantially, but in a normal situation the inventory is approximately three and a half months. Our franchise and distribution outstanding have reduced and they are in the range of almost 30 to 45 days and creditors are in the range of around 60-65 days. We are working on a very healthy working capital cycle and trying to make it more efficient.
- Amit Khetan:** Second question is on your advertising strategy. A couple of years back you hired a few celebrities and you stepped up advertising in FY2019 and 2020, from what historically it had been much lower. Going forward, are you going to spend more to build the brand or are you going to step down on advertising given the current situation?
- Namrata Chotrani:** Right now, the endeavor for all of us is to ensure that our fixed cost is at the minimal. We are trying to minimize our fixed cost. However, that does not mean we will reduce on advertising as it is a function of sales. Once sales does scale up, we will look at spending much more. Right now we are testing and experimenting very heavily with digital media and social media which in our view has had a decent impact. We are also looking at regional stars to promote the brand because we have a good amount of eastern and southern presence. The idea is to look at it from the ROI perspective - whatever is spent is giving us requisite sales or not.
- Amit Khetan:** From a longer-term perspective, could you give some sense of as a percentage of sales, how much we intend to spend on Advertising and promotion?
- Namrata Chotrani:** Yes, around 2% to 3%.
- Amit Khetan:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Girish Pai from Nirmal Bang. Please go ahead.
- Girish Pai:** I want to go back to the answers you had given last quarter when we had a similar call regarding going back to a 10% EBITDA margin. When do you think we can see this at the earliest and what are the elements that are going to drive this forward? How much more increase in gross margins are you looking at and where do you see the other expenditure kind of compressing to? How do you think the dynamic is going to kind of play out from that standpoint? When do you see this happening in the earliest and what are the elements that are going to change to shift that to a 10% number?

Namrata Chotrani: Girish thanks for your questions, appreciate it. The shortest answer that I can give you is as fast as the footfall and the COVID impact normalizes we can see a growth in sales; however, it is the kind of work that we have done in terms of improvising on the gross margin, reducing the fixed cost, trying to improve the working capital efficiency. Once the footfall normalizes, we are very confident of reaching that number.

Girish Pai: We require a one year without lockdown?

Namrata Chotrani: Even if we have a few quarters going forward with a reduced impact of the lockdown, I think we should be able to reach similar numbers. If you see the current numbers as well, we have been able to reach 88 Crores of sales versus 60 Crores last year. We have been able to minimize the EBITDA impact from negative 14 Crores to negative 36 lakhs. So that itself will give you a perspective on the efforts that we have taken to reduce the sales required to ensure the breakeven in terms of profitability.

Girish Pai: In terms of working capital, last quarter you had shared how various numbers had moved on the working capital side. Would you be able to share how those numbers have moved as we speak now?

Indrajit Chaudhuri: In the case of debtors, the numbers from June last year was Rs.106.42 cr and is now at Rs.121.75 cr. It has mostly increased because of the institutional sales that we have done in March 2021. In the franchisee business, it was at Rs.32 Crores level which has come down to Rs.18 Crores and in the distribution business it was at Rs.29 Crores level and has come down to Rs.19 Crores. In terms of inventory, last year we were at Rs.157 Crores of inventories in first quarter and now we have Rs.155 Crores of inventories as on June 30, 2021.

Namrata Chotrani: This quarter we are hoping for a good festive sales and hence, there will be an increase in the outstanding for the next couple of months. That is purely the way the business works. The numbers will come down again at the end of Q3.

Girish Pai: On the retail side, since strategizing is such a big part of your business, can you just throw some light on the franchisee economics, if it is a cash and carry model and what is the kind of investment that a typical franchisee does from both of Capex and inventory standpoint and what kind of average returns does the franchise make in the normal year. Not so much in FY21 or even Q1 FY22 but a normal year what kind of return that the franchise kind of make and what is the typical average revenue? What is the revenue per average franchise versus for a COCO store?

Indrajit Chaudhuri: In the case of a franchisee, the square feet required for a typical store is around 700 square feet and the franchise requires a Capex of around 15 lakhs and the stock requirement is around 10 lakhs to 12 lakhs. The franchise gets a margin of around 30% from MRP and we have seen the return on investment is around 23% to 24% in the span of three to four years. The return of franchisees is higher in Bengal and the eastern part of the countries. It is slightly lower in the southern and the western part of the country. We are expecting around 75 to 80 new franchise to be opened this financial year.

- Girish Pai:** I will go back into the queue and I will come back later.
- Moderator:** Thank you. The next question is from the line of Nikita from Galaxy Investment. Please go ahead.
- Nikita:** Thank you for the opportunity. I wanted to understand what is the situation in our stores like the number of stores which are opened and operational now and also what is the rent are you paying, the full rent for those shops or is there some concession or discount given?
- Indrajit Chaudhuri:** At present all our stores are open partially or five days a week. All our 210+ COCO outlets are open. Maybe on some weekends there is a closure in Orissa and North East. In terms of rental concession, last year we got a savings of around 7.8 Crores, this year also we have negotiated with the landlords and till now we have saved around 4 Crores. We are hopeful that we will be able to reach that same number that we have done in FY21.
- Moderator:** As there is no response from the participant. We will move to the next question. The next is from the line of Naitik Mody from OHM Portfolio. Please go ahead.
- Naitik Mody:** Coming back to the volumes number that you just shared with respect to the retail number is at 7 million, 70 lakhs, right?
- Indrajit Chaudhuri:** Yes.
- Naitik Mody:** So then if I try to derive the retail realization it comes around Rs.412 which is a 16% rise over last year is that correct.
- Indrajit Chaudhuri:** Our ASP for FY2021?
- Naitik Mody:** Correct, for retail.
- Indrajit Chaudhuri:** It is more or less correct.
- Naitik Mody:** What has led to this huge jump in realization growth?
- Indrajit Chaudhuri:** Because of the premiumization that we have done and the other impact in the increase of sub-brands.
- Naitik Mody:** Is this sustainable or with higher volume this might taper down?
- Indrajit Chaudhuri:** In FY2021 while there was a pandemic we were able to increase the ASP. In a normal year we will definitely be able to sustain the growth.
- Naitik Mody:** So, it might sustain with volume growing?
- Indrajit Chaudhuri:** Yes.

- Naitik Mody:** Thanks.
- Moderator:** Thank you. The next is from the line of Monika Arora from SGW Advisors. Please go ahead.
- Monika Arora:** My line got disconnected. I was asking the question, in the previous quarter, like you said, that the ecommerce sales were highest in the company's history. So, how are you seeing the sales now through e-commerce especially and what would be your strategy going forward on the online business and how can it affect your on-store sales?
- Namrata Chotrani:** Our target is to ensure that our online omni rather online cum omni business reaches around 4% to 5%. We are on that number right now. In the first quarter, around 4% of the business is coming from e-commerce and omni business. Secondly, we want to grow the e-commerce and the omni business but we want to ensure that we are doing it in a profitable manner. If we want to grow the e-commerce business substantially, we can do that very well but that may come at a substantial cost which we did not want to take. The idea is to grow it in a constructive and a profitable manner and that is something which we will continue working on and you will see that numbers will continue and sustain in this way.
- Monika Arora:** Any strategy on your stores and are you planning to open some new stores. What is your capex plans going forward in the next one or two years?
- Namrata Chotrani:** This year the idea is to consolidate our COCO stores and to reduce the number of underperforming stores. I do not think we are looking at opening more COCOs this year unless and until it is a very awesome area which will start giving us profits from the first six months itself. But I think in terms of franchise, as Indrajit mentioned earlier, we are looking at opening around 75 to 80 stores in this financial year and in terms of Capex next year, I think we will be also looking at opening around 10 to 15 Company owned outlets which will possibly incur a Capex of approximately around 3 Crores. The balance Capex is required for the factories for our distribution business. The total capex will be in the range of 10 Crores to 15 Crores.
- Monika Arora:** Thanks so much.
- Moderator:** Thank you. The next is from the line of Girish Pai from Nirmal Bang. Please go ahead.
- Girish Pai:** The online margins, just wanted a sense of how they are and what is you mentioned about 4% is coming from omni and how much is from your own web store and how much is from the third party online store. Also, what is the kind of margins you are making there right now? Had things been normal would that be an equal to the 10% number or how much lower compared to the aspirational 10% margin that you kind of look at?
- Namrata Chotrani:** The breakup of the sales channels on the websites and the platform, we can give it to you offline, Girish. In terms of the margins, I think it will be lesser than 10%. Please appreciate that we are not a

very high ASP or a high priced brand. Because of the ASPs, the logistics cost is on a higher side by 20%. But we are looking at ensuring that we are able to get to the 10% number.

Girish Pai: The assortment online, how different is it from the offline store?

Namrata Chotrani: The range is similar to the offline store except that we have reduced some of the very low priced product which is not commercially viable to sell online. Given that there is the logistics cost, the commissions, marketing cost, returns and also the other agency cost, it is not viable to sell a very low priced product. So, we have put a certain benchmark at various market places and at the various platforms depending on the cost structure with all of them. We have an ecommerce exclusive line as well which we do not service through our offline network.

Girish Pai: There is talk of an IPO from two, three footwear players in the next six to 12 months and you know the names that are floating around. Have you seen any kind of extra aggression from them in the market wherever you are present on the ground?

Namrata Chotrani: Most of these names that you are talking about, are not very strong in the markets that we are in and vice versa. So, I think we are not seeing as much over here. Maybe you can ask the other listed competitors who would be able to give a better perspective.

Girish Pai: Thank you.

Moderator: Thank you. The next is from the line of Naitik Mody from OHM Portfolio. Please go ahead.

Naitik Mody: You spoke about adding onto franchisees and COCO stores, so what regions are we specially looking to add these stores?

Namrata Chotrani: We are looking at adding new stores in the east and the southern markets wherever there is options for penetration because in the southern market there is a significant chances of penetration. But, at the same time we are also looking aggressively at the northern and the central markets.

Naitik Mody: When you are adding new stores in east, where do you think, as per your internal analysis, that you will reach sort of saturation within the eastern markets, because that is your strongest market?

Namrata Chotrani: Are you asking, when do we think we will reach saturation?

Naitik Mody: I mean what is the max out in terms of number of stores for you?

Namrata Chotrani: I think it is very difficult to comment on which is a max out number. Also, because there are newer markets opening up on a year-on-year basis in various other states. But having said that, I think we are not only looking at larger franchisees, we are also looking at smaller franchises, which are nothing but branded outlets where the investment is smaller and the product range also is a mix of our retail and

distribution business so as to make it affordable for the franchises to sell to the target audience in that area. So, I think, given the kind of flexibility model that we are dealing with, there is enough penetration left in the east and southern market as well as the entire seven sister states also. So to be frank, I hope we do not reach the level of saturation ever but that is the ideal scenario. However, I think there is enough options left both in retail and distribution.

Naitik Mody: In terms of your regional expansion, how are the north and western regions playing out for you. I mean, are they profitable at the operating margin level?

Namrata Chotrani: Some of the stores are and some of them are not. Coming to the stores which are not, we are taking a call to continue with them on a strategic basis, because we need the brand presence from an expansion standpoint. However, the feedback and the interest that we are getting from the northern markets in terms of franchise, has been great. There is a lot of awareness of the brand in the northern market because we have a lot of the target audience which has moved across the country. Also the kind of product range and the price point that we are dealing with on the retail side, caters to the entire family for all the occasions. Lots of the brands that you see across the country, do not necessarily have the entire range at the kind of price points that we are dealing with and a lot of the brands which have a larger range do not have our kind of price points. We have a good mix and our product offering is very good and there is a lot of interest coming in because of the economic scenario that we are in right now in terms of disposable income, people are keen to see affordable fashion footwear. Two weeks back we opened a store in Delhi. We have got great response in the market and we are expanding and we are making our brands to expand aggressively there as well. So the response has been great.

Naitik Mody: For you as a company which is a more or rather which is a ROCE accretive or higher ROCE business, is it the franchisees or is it the COCO model?

Indrajit Chaudhuri: If you compare both of them, it is more or less the same. The margin we derive from franchisee and the EBITDA from the store level are more or less same. What happens is in COCO we have a capex investment and in case of franchisee we do not have a capex investment.

Naitik Mody: So the capital employed in COCO would be higher as compared to franchise, is that correct?

Indrajit Chaudhuri: In Franchise, there is no capital employed, it is only the debtors.

Naitik Mody: We do not see the working capital employed there?

Namrata Chotrani: In terms of the profitability, it is a similar in case of mature stores. In terms of ROI, as Indrajit said, the franchise model is better.

Indrajit Chaudhuri: That is why, in a normal year when we open new shops, we open around 15 to 20 COCO and around 70 to 75 franchisee, so that there is a 3:1 ratio of opening the stores.

Naitik Mody: What is the strategy there in terms of why to have two models and why not just have one model and what is your thought process behind that?

Indrajit Chaudhuri: For penetrating the brand in newer markets, you need the COCO, because historically, first we opened our COCO in Calcutta and then the franchisee growth came in. So to penetrate a market we have to first open our COCO, exploit the market, see the market and then the franchise demand will come. So we have to be present with the COCO in a particular state and then expand the franchise. We did the same in the south. We opened stores in Chennai, Hyderabad and Bengaluru and after that the franchise followed.

Naitik Mody: Do you internally decide the ratio of franchises to COCO stores?

Indrajit Chaudhuri: As I have told you that it is around 3:1 or 4:1 every year. Last two years we had not opened COCO because of the pandemic but in a normal year we used to open around 20 COCOs and around 70 to 75 franchise to keep a mix of both the models.

Naitik Mody: Thank you Sir.

Moderator: Thank you. The next is from the line of Nikita from Galaxy Investment. Please go ahead.

Nikita: In last 3-4 years we have seen lot of events happening starting from demonetization to the introduction of GST and now COVID. So, what we have seen is various unorganized players were forced to leave the market, so from point of view of unorganized players, how are you seeing the competitive intensity differentiating pre all these events and now?

Namrata Chotrani: Yes, the competition is definitely there. If you see, a lot of the unorganized players business has been converted to distribution business and that is why we are seeing a lot of the distribution players doing so well. There is Relaxo, there is Aqua Lite, there is Action, there is VKC, then Khadim. We are the only unique brand being able to staddle between the retail and distribution reasonably well enough but lot of the distribution players are getting the benefit of the unorganized to the organized market and that is why you are seeing these kind of business improvement there.

Indrajit Chaudhuri: In the case of GST, there was a limit of Rs.1.5 Crores and most of the unorganized players were less than Rs.1.5 Crores and hence GST did not impact them. The event that has impacted them the most is COVID, but that benefit has not passed on to the organized sector because the organized sector footfall has gone down, So, once after COVID, when the situation normalises and the unorganized players have gone off, then only you can see the benefit.

Nikita: Second is all the private e-commerce brands like Reliance has its own brand. Big Bazaar has its own brand. So how is the competition from those brands and if I talk about the quality, how your product is different from those?

Namrata Chotrani: A lot of the brands are trying to target private labels and I wish them all the best because it is always good to have a healthy competition, but our strength has been the kind of product and price point that we are dealing with. I have not seen a lot of other brands being able to provide the kind of variety that we are providing at the kind of price point that we are providing. As I said in the calls earlier, a good branded pair of Men's Loafers you're getting for about Rs.999 and you do not find too many options like that yet in the unorganized markets. A pair of formal leather men's shoe which we are able to sell at almost Rs.1199 today, you would not find too many brands being able to do that and not only on the men side, in the women side as well. We have got a very good range starting from almost Rs.399-Rs.499 ending at approximately Rs.1500. A lot of the brands have a starting price point of approximately Rs.999 or Rs.700 or Rs.800. So I think as a variety we have almost 1400 SKUs and 80% of our items are below Rs.1000 which is our strength. I am not been able to see any brand being able to offer this kind of variety. Competition is good, it makes us stronger and it makes us try to be better and we have been able to manage more affordable fashion footwear across the entire gamut of merchandise categories compared to the other brands.

Nikita: Thanks so much for answering the question so patiently. Thanks.

Moderator: Thank you. The next is from the line of Harish Shah from HS Investment. Please go ahead.

Harish Shah: Thank you for the opportunity. As you mentioned, right now that you have an SKU at various attractive price points and I have noticed that you have a vast product portfolio with modern and trendy look. So, does that mean we are targeting millennium group customers?

Namrata Chotrani: Harish, thanks for your question, really appreciate it. It is a very valid question that you have asked. Yes, over the multiple calls in the last few quarters, I have been suggesting and reiterating the fact that we are working very hard internally to ensure that we are coming up with a more colorful and vibrant range of products for the younger audience because, I believe a lot of the 40-45 year old plus people, already know the brand and what we have to offer and we already have a very strong loyal customer base. What we are trying to do is to attract the younger crowd of people and for that we need to ensure we have the right product mix and we are working very hard, we are investing in people, we are investing in vendors to ensure we can come up with this kind of range and we are seeing the change coming in. We are also trying to communicate effectively with the target audience through digital media and social media campaigns where there is no awareness of the kind of change that we are bringing in. In the next couple of quarters we will possibly update you more in terms of the change we are bringing in on the retail experience and then possibly it will help you understand better the kind of work that we have been doing. It will be great if we can host you at our office and you could possibly see that kind of new introductions that we are experimenting with. As we speak, we are doing selection of products which will be tested in the next 3-4 months and which will be introduced in the next financial year as well; the next SS2022, the Summer wear 2022, Autumn wear 2022 and the marriage collection 2022. There is a lot of effort going on to make the product range much younger relevant, vibrant and colorful.

Harish Shah: Really appreciate. Thanks for your detailed answer. One last question from my side, could you highlight what is your expansion strategy for the west and the northern markets?

Namrata Chotrani: This year, we are looking at Eastern UP, Western UP, Delhi NCR, MP, CG. We are also looking at some parts of Gujarat and Maharashtra. It need not necessarily be the metros and the mini metros but could also be in tier II and tier III cities. We have done our entire micro market exercise where we have listed the various potential markets state wise, city wise and micro market wise and which are the other brands operating in those markets and where we would be positioned well enough. I do not think we intend to be a very high fashion mall kind of a brand. I think we intend to stick to our core which is affordable fashion footwear and for that we intend to be in a high street market that is based on tier I, tier III cities, wherever that we are getting a commercially viable market. Besides the newer market as I mentioned to you, our existing markets in the eastern side which is Bihar, the seven sisters, Bengal, Orissa and the southern markets are the ones where we have lot of interest and also we are using lot of offline and online platforms to garner interest for franchise expansion.

Harish Shah: If you can share the number of stores that we would be covering?

Namrata Chotrani: So the target is from 75 to 80 stores.

Harish Shah: That was helpful. Thank you. Wish you all the best.

Moderator: Thank you. The next is from the line of Naitik Mody from OHM Portfolio. Please go ahead.

Naitik Mody: Yes, Namrata with respect to the product portfolio that you have, sometimes that it is too large a portfolio and then there are probably too many brands that you guys are dealing with. So, has this been an impediment or a deterrent for your growth? Is there any brand within our portfolio which is not doing well for us and we are looking at doing away with?

Namrata Chotrani: Naitik, thanks for your interest and your question. In the sub-brands that we have, there are many private labels but the way we have positioned each of the sub-brand, is focusing on different merchandise categories. For example, Khadim, the mother brand is becoming a little fancier and the price is ranging from Rs.299 to Rs.699. CLEO is very high fashion brand for women. It ranges from Rs.699 to approximately Rs.1199-Rs.1299. We are positioning SHARON very strongly as a brand for the working women. So, we have the range of flats to heels, plateau shoe and wedges for the working women. We have LAZARD which is for the younger man where we have Loafers, Sandals, chappals, some formal shoes for the age group of approximately 18 to like 30 odd years. Soft Touch is a very comfort footwear for women and men whose main focus is comfort. British Walker is handcrafted leather footwear for the working men. PRO is sportswear which is also going very well in the category. TURK is a brand which is for the outdoor. Even though this category may have had a maximum impact during the COVID time because of the lack of opportunities for going out, but I think this category also is a decent category which is also growing on a year-on-year basis. Every

category, every brand is focusing on a particular use case. So the private labels have to define product range much better. I do not see it as an impediment while I see it as an opportunity. I think if the sub-brands do well in the future in terms of becoming larger, almost equivalent to Khadim, we can definitely explore them as a focus brand as well. So, I think it is definitely a plus point to have sub-brands.

Naitik Mody: I appreciate that, but how would you rate yourself internally in terms of communicating the ethos or the features or characteristics of this various brands that you explained to me do you think that there is lot more needs to be done in terms of communicating to your target customer?

Namrata Chotrani: I think our loyal customers know the difference in the products. So, anyway, many of our loyal customers come in and ask for Sharon, they ask for British Walker, they ask for Lazard. It is the same thing like you go to Westside, you will ask for Luna Blue which is a special category of product. I do not know whether they promoted it externally but I think their product have been so good, and people go and ask for the product, Similarly, walk into a Bata store you will find the Marie Claire, Naturalizer or HUSH PUPPIES. Historically, they not really been promoting them differently but because if you are regular customer in Bata you will know the difference between a Marie Claire or a Naturalizer or a Doctor Soles or HUSH PUPPIES.

Naitik Mody: But would not that be a sort of a limitation in terms of the loyalty rather the loyal customers being concentrated let us say in the eastern region which will not be the case with your newer regions where you are diversifying?

Namrata Chotrani: Yes, we will start developing the loyal customer base in the new markets as and when we go over there and people will get to know the differentiation between the brands because that is what our sales staff are trained to explain to the customer. So it is the communication that matters and we are also using digital media effectively to be able to communicate the difference in the various sub-brands as well. But the larger focus is to promote Khadim, it is not to promote the sub-brands on social media. But, internally the customers very well know the differentiation between sub-brands. And the newer markets, I am sure that if the product range clicks very well, we will have very strong base of the new loyal customer who will know the differentiation. Just to add, in our stores there is a branding differentiation between all the sub-brands by way of placards and there is also an explanation given for all of them. Each of the tags of the sub-brands also explains what the product stands for and the category stands for and what is the offering that we are getting. So in the store there is enough explanation for the sub-brand.

Naitik Mody: Now my question was apart from Khadim, are there any emerging brands that are growing well and do you also stand out in terms of sales numbers. If you might want to promote as a separate brand let us say something like HUSH PUPPIES has its own store so is there something that we have in Khadim?

Namrata Chotrani: Pro is doing well, British Walkers is doing well, Lazard is doing well, I think it is a bit premature for us to get into sub-brand stores right now. To be fair, HUSH PUPPIES had become a large enough brand in itself to be able to become a separate store and it was also helping in increasing expansion for Bata as an organization. For us right now, Khadim is there as branded store. We have enough scope for penetration left across the country. So, let us expand with Khadim and then possibly we can look at expanding with sub-brands.

Naitik Mody: Thank you.

Moderator: Thank you. The next is from the line of Aakanksha from Bharti AXA Life Insurance. Please go ahead.

Aakanksha: My question is what are the challenges that you are anticipating while expanding into the newer markets and are there any plans to expand inorganically?

Namrata Chotrani: The challenge is in terms of the brand awareness. But, having said that, the kind of sales that we get once the store opens is very comforting to all of us internally. It is a function of the brand offering and the product offering. If you have an option, when you are getting the entire range of product which are Rs.1000 and plus in a particular store, when a store opens, you get to know that there are products available at a much fashionable range at a much lower price point, the word of mouth spreads very well and I think we get a very good response from the customers itself. In fact we have noticed whenever a standalone and competitive brand opens next to our store, many a times, we see our store sales improves because it becomes comparative. They realize the difference between the products and our sale improves. So, I am not worried. I think the challenges over time will reduce because if our expansion is aggressive, there will be more brand awareness coming in. Having said that, because we have 700 plus stores across the country, there is a lot of awareness of the brand in the mind of the customers who may have come to the east and southern parts of the country and know the brand so then they walk in and possibly have a good experience. I am very confident of changing our challenge into strength.

Aakanksha: Are there any plans to expand inorganically?

Namrata Chotrani: As of now, No, I do not think we have such plans right now. I think we want to ensure that we are growing and expanding Khadim very well.

Aakanksha: Thank you.

Moderator: Thank you. Ladies and gentlemen, as this was the last question for today, I would now like to hand the conference over to Mr. Girish Pai for closing comments.

Girish Pai: With that we come to the end of this interaction with Khadim management. I would like to thank it for giving us this opportunity to host this call. Thank you all for taking part and have a good day. Any closing comments from the Khadim team?

Namrata Chotrani: Thank you for your time and your interest in the organization. We are working very hard internally to ensure that we are able to live up to the brand expectation and deliver value to our stakeholders connected to the organization. We hope to be in touch with all of you on a regular basis. Please feel free to reach out to us in case of any questions and clarifications and we would also be happy to host you guys in our office and showcase our entire range of products to you on a regular basis. Thank you so much.

Moderator: Thank you. On behalf of Nirmal Bang Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.