KHADIM

February 20, 2025

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 Investor Meet held on Friday, February 14, 2025.

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 and nine months ended December 31, 2024.

Kindly take the same on record.

Thanking You,

Yours faithfully,

For **Khadim India Limited**

ABHIJIT DAN
Digitally signed by ABHIJIT DAN
Date: 2025.02.20 17:10:26 +05'30'

Group Company Secretary & Head- Legal
ICSI Membership No. A21358

Encl: As above

"Khadim India Limited
Q3 & 9M FY'25 Earnings Conference Call"

February 14, 2025

MANAGEMENT: **MR. RITTICK ROY BURMAN – WHOLE TIME DIRECTOR–**
MR. INDRAJIT CHAUDHURI – GROUP CHIEF FINANCIAL OFFICER

MODERATOR: **MS. MASOOM RATERIA – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 & 9M FY '25 Earnings Conference Call of Khadim India Limited, hosted by Orient Capital.

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 touch tone phone.

I now hand the conference over to Ms. Masoom Rateria from Orient Capital. Thank you and over to you, ma'am.

Masoom Rateria: Thank you very much. Good evening, everyone, and welcome to the Q3 & 9 months FY '25 earnings concall of Khadim India Limited.

To discuss the results, we have with us from the Management, Mr. Rittick Roy Burman – the Whole Time Director; Mr. Indrajit Chaudhuri – the Group CFO.

They will take you through the Results and Business Performance, after which we can begin the Q&A session.

Before we begin the conference, I would like to mention that this conference contains certain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the Company as on date of this call. The actual results may differ materially. These statements are not guaranteeing the future performance of the company and involve risks and uncertainties that are difficult to predict.

I now hand over the conference to Mr. Rittick, sir. Over to you, sir.

Rittick Roy Burman: Yes. Thank you. Good evening, everyone.

On behalf of Khadim India Limited, I am pleased to welcome you all to today's conference call where we will discuss our Q3 and 9 months FY '25 Results. We sincerely appreciate your time and interest in our company's performance. And we hope you have had the chance to review the financial results and investor presentation available on the stock exchange.

We achieved steady revenue growth with Q3 revenues increased by 2.5% year-over-year. While our gross margins declined by 110 basis points this quarter, sales saw an upward trend supported by festive and wedding season demand. In Q3 FY '25, our retail segment contributed 66.1% of total revenue, while for the nine-month period it stood at 63%.

As of nine months FY '25, our total retail store count reached 890 with 61 new store openings during the period. Breaking this down by model, our COO store count stood at 222 stores, while our franchise network expanded to 668 stores. Our distribution business contributed 31.2% of revenues in Q3 and 32.2% over the 9 months. Additionally, we onboarded 50 new distributors during the quarter, bringing the total to 776 as of 9 months FY '25.

Looking ahead, we are excited to introduce our new athleisure segment in the upcoming spring summer season. This price sensitive range, along with other higher margin products, is expected to enhance our gross margin in the coming quarters.

Now moving to our Financial Performance:

For the quarter, we reported revenue from operations of ₹ 160.2 crores, reflecting a 2.5% year-on-year growth. Our gross margin for the quarter stood at 44.6%, down by 110 basis points as compared to the same period last year. EBITDA for the quarter stood at ₹ 14.8 crores, which de-grew by 18.7% year-on-year. EBITDA margins for the quarter stood at 9.2%. Our profit after tax for the quarter reached ₹ 1.2 crores, a degrowth of 36% year-on-year. The PAT margin for the quarter was 0.7%.

For the 9 months period, our revenue totaled to ₹ 474.6 crores, up by 0.7%. Gross margin for the period stood at 46.7%. EBITDA for 9 months FY '25 was ₹ 51.5 crores, reflecting a 4.8% year-on-year degrowth, with margins at 10.9%. Profit after tax for 9 months was ₹ 4.2 crores, showing a 20.5% decline year-on-year with margins at 0.9%.

Looking ahead, we remain confident in our strategy and proactive approach. We are committed to building on our strong brand, expanding our retail footprint, and innovating to meet evolving consumer demands. We believe that these efforts will lead to positive outcome in the coming quarters and we are excited about the opportunities ahead.

I conclude my update, and I am happy to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin with a question-and-answer session. We take the first question from the line of Arnav Sakhuja from Ambit. Please go ahead.

Arnav Sakhuja: Thank you for taking my question. I just wanted to know what is the progress on our demerger?

Indrajit Chaudhuri: It is pending with the NCLT for final hearing.

Arnav Sakhuja: Yes. So, I just wanted to ask, is there any approximate timeline as to when this NCLT hearing might be complete?

Indrajit Chaudhuri: Within this financial year.

Arnav Sakhuja: Within this financial year, okay. And once the NCLT hearing is complete, how much time after that will it take for the demerger to get implemented?

Indrajit Chaudhuri: Whenever the NCLT order comes, the first day of the next month the demerger will be effective.

Arnav Sakhuja: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Ashika Madan, SMN Investor. Please go ahead.

Ashika Madan: Hi, sir. Thank you for the opportunity. Could you please provide me more details on this new product range? And what are your expectations in terms of consumer response and its impact on both top line growth and margin improvement?

Rittick Roy Burman: You are asking about the new product range?

Ashika Madan: Yes, sir. The new product range and your expectations in terms of consumer response, and its impact on top line and margin.

Rittick Roy Burman: Yes, yes. So, a new product range, we are working for the Spring Summer '24 season approaching now, which will include the Eid festival as well as the summer festival, etc., there will be some weddings dates also in this spring summer collection. So, like we have been saying that we have reduced some prices also in the new products as well as existing products in our Khadim's mother brand, so we think that would give us a good growth in sales. And apart from that, right now the discount season is also going on, which will be there till around 15th April. So, the discount season is also something that the customer likes, so that also will give the uptrend in sales.

Indrajit Chaudhuri: So, in the spring summer '25 we have come up with products having lower MRP. As we have discussed in the second quarter concall that we will be pushing for volume. So, that thing we have already introduced the product and we are seeing their acceptance in the market also. In the third quarter, we have seen that the volume of the retail business from 17,49,000 pair has gone up to 17,96,000 pair. So that is a positive thing that has happened, and we are looking forward that with the spring summer new collection and also the AW new collection in 2025, we will be able to achieve the volume that we used to sell previously.

Ashika Madan: Okay, sir. My next question would be, what percentage of your total sales currently comes from online channels and how do you plan to increase this contribution in the coming quarter? And are there any specific strategies or partnerships in place to drive growth in your e-commerce business?

Rittick Roy Burman: Yes. So, the percentage of online business, I mean, it's somewhere around 4% to 5%. We would obviously like it to increase. So, I mean, over the past year, we have been researching on this model a lot. While I would not comment on how much it would increase, but we are working on this channel. Through our research and talks with different partners, we found out that we need to focus on selective basket of products. Too many products are not the thing of the online market. And we have to also do some digital marketing, not digital marketing, online marketing of these few selective products. So, these findings are also important. The team has found these things out. While online is a little bit of a low margin business, but we have found out these findings of doing online marketing and focusing on selective products. And we hope that in one or two quarters we should be able to do better numbers than what we are doing now.

Ashika Madan: Okay, sir. Thank you. That's all from my side.

Moderator: Thank you. The next question is from the line of Ankita Tandon from The Federal Bank Limited. Please go ahead.

Ankita Tandon: Hello, am I audible?

Indrajit Chaudhuri: Yes, yes.

Ankita Tandon: My question is regarding the losses in the distribution segment which the company has continued to incur in Q3 also, though the losses have declined significantly but what is the company's view on the going forwards distribution segment losses?

Indrajit Chaudhuri: See, we have already told that in the distribution segment this year we are trying to reduce the losses, and in the next year we will try to do breakeven. So, we are moving ahead in that direction only. And once the demerger will be done, the new company, KSR Footwear Limited, will be doing the distribution business. And they will try to increase the sale and also reduce the cost wherever necessary, so that the distribution becomes profitable. Last year, the sales has grown by around 15% compared to last year, so that has given additional margin with which the losses have come down. So, we will try to increase the sales and also reduce some costs so that in FY '26 the distribution business is breakeven.

Ankita Tandon: Okay. Thank you, sir. And my second question is regarding the same store sales growth rate. So, can you please highlight on something the percentage growth rate which the company is achieving from the same store?

Indrajit Chaudhuri: At present at same store there is no growth, we are having the problem of same store growth. We have seen the last two, three years there's no growth in same store. For that we have changed the product profile that in Khadim product we have reduced the margin and the MRP so that the volume that comes in will have an effect on the SSG growth.

Ankita Tandon: Okay, sir. And what is the per month store sales for COCO division?

Indrajit Chaudhuri: COCO will have different types of sales. I mean, we have COCO having sales in a year of ₹ 1.5 crores. We have COCO having average sales of around ₹ 24 crores to ₹ 25 crores in a month.

Ankita Tandon: Okay, okay.

Rittick Roy Burman: There's franchise also apart from that.

Ankita Tandon: Yes, except the franchise.

Indrajit Chaudhuri: Yes, this is our COCO.

Rittick Roy Burman: COCO would be 20-24 crores and franchise would be, if you take their secondary sale, that would be around another say ₹ 18 crores to ₹ 20 crores something, secondary sale that is.

Indrajit Chaudhuri: Not the primary.

Rittick Roy Burman: Not the primary sale. Primary sale is what we sell to them, that is our sale. But I am talking about their sale, what they sell to the customer.

Ankita Tandon: Okay. Thank you, sir. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Chirag Shah from White Pine Investment Management Private Limited. Please go ahead.

Chirag Shah: Yes. Thanks for the opportunity. Sir, I have two questions. The first was, if you can just talk about the demand trends that we are seeing now, because you were expecting November and December to be good months, but it does not seem to be the case, it did not plan out as expected.

Indrajit Chaudhuri: In December, there was a good demand trend. But since this time Puja was shifted little bit on the second quarter, so we have not seen the sales growth during this period. But December, from last year, we have done around 15% growth for the December month.

Rittick Roy Burman: Yes, December month, because of the reversal of the wedding season and the other things like EOSS and everything, so and also price reduction and everything, a little bit of price reduction, all of it is not yet into play. December month was better.

Chirag Shah: And going ahead how should we look at the demand?

Indrajit Chaudhuri: So last year in the first quarter the demand was very muted because of the --

Rittick Roy Burman: Election and no wedding season.

Indrajit Chaudhuri: No wedding season. But this year we have seen that the wedding season is there from January to June, so that will obviously increase the demand. And also, Eid in March, so this will have a good impact for the demand thing. And with no election and nothing, and with our new product range with a new MRP, lesser MRP, we will have good demand in volume.

Chirag Shah: Okay. So basically, for full year 9% to 10% of volume growth is actually driven by the base effect of Q1, is it the right way to look at it?

Indrajit Chaudhuri: Come back once again.

Chirag Shah: For next year, FY '26, full year growth of 9% to 10% is largely driven by base effect of Q1 because of low demand with election and all that?

Indrajit Chaudhuri: Yes. Because in Q1 we were down compared to last year Q1. But now if you see the sales, we have achieved in 9 months more than compared to last year 9 months. So, the growth mainly has come in the second and third quarter.

Chirag Shah: And secondly, the price reduction that we did, as of now it appears it is not really benefiting at aggregate level because there seems to be a drop in gross margin which was expected, but commensurate increase in revenue and EBITDA, both EBITDA and gross profit is not visible.

Indrajit Chaudhuri: No, the price reduction has been done in SS25 only. So, we have reduced the price from January '25.

Rittick Roy Burman: Yes, it will take some time, right now the price reduced product will come, there will be some products with increased price also which will be there. So, you should be able to see the effect from March and April like that. Right now, it is just too early.

Chirag Shah: So sir, what explains this sequential 400 dip in gross margin, anything specific you would like to call out?

Indrajit Chaudhuri: No, one is that discount we have introduced early EOSS, so that is the reason for the margin to drop.

Rittick Roy Burman: We have given a little bit discount this year; we have given more options.

Indrajit Chaudhuri: Also, EBOs has been given product to sale through melas and all, so as to reduce the high-priced stock that we have. So, because the new stock that will be coming in Khadim brand will be at a lower price, so we are liquidating the higher price stock from our system.

Chirag Shah: Sir, if I can just ask, versus last year, so if we take FY'24 versus FY'25, per unit discount or as a percentage of realization, what is the discount? How should we think it? What is the normal level going ahead?

Indrajit Chaudhuri: See, the discounting we started from I think in the month of December. So, in the year FY '24, the discount sales as a percentage of total sales were around 20% to 22%. But here what we have seen that the discount percent has increased to 30% to 32% because the flow of discounted item is comparably higher than what was there in the last financial year. Because since we are shifting from one price bracket to another price bracket, so we have introduced more designs in the discount.

Chirag Shah: Okay. As a percentage of revenue how does this work, have the discount gone up 20% for you?

Indrajit Chaudhuri: No discount, I have told you, around 20% was the discount sale and now it is around 30%.

Chirag Shah: I am trying to understand its impact on margins, how should I --

Indrajit Chaudhuri: In a COO it has impacted on 7% to 8% margins, in that month.

Chirag Shah: In that month, on an annual 9 months basis, how do you look at it?

Indrajit Chaudhuri: On an annual basis right now, we cannot tell because the discount thing will continue till March, only that time we can tell what is the comparison, because the flow of discounted item has increased in the month of December. So right now, you cannot compare.

Chirag Shah: No, no for 9 months. I am trying to say, on 9 months basis what is the percentage of sales? As a percentage of sales how much product is discounted? The impact of discount on margin for 9 months versus last year, I think there is a gross margin drop of 400 bps, on 9 months basis it is 150 bps, okay. So how much of this is because of discount?

Indrajit Chaudhuri: Out of the 4% around 2% to 2.5% would be for discount because this year also we have given discount in August and July also because that time it was a dry season, so we started the EOSS early.

Chirag Shah: Okay. And sir, the entire discount comes and is reduced from sales or because of the nature of discount something is in other expense also?

Indrajit Chaudhuri: No, no.

Chirag Shah: Accounting of discount is in sales, right?

Indrajit Chaudhuri: Yes, yes, sales.

Chirag Shah: Because at times above the line, below the line the accounting requirement is different, right?

Indrajit Chaudhuri: Discount what we do is, from MRP the sale is reduced, we book the discounted sale only.

Chirag Shah: Okay, thank you for clarification. And sir, last question if I can just squeeze in. So, the question is, you have been putting in effort to --

Moderator: I am sorry to interrupt you, Mr. Chirag, may we request you to join the question queue, sir. We have other participants waiting for their turn. Thank you. The next question is from the line of Abhishek Getam from Alpha Invesco. Please go ahead.

Abhishek Getam: Hello. Thank you for the opportunity, sir. Sir, I wanted to know our strategy on athleisure. So, if you will give just broad numbers, where are we present? Which part of the country we are targeting? Price points and for FY '26 how much contribution are we looking from this segment?

Indrajit Chaudhuri: See, you as we said that we are piloting a project in athleisure and we have seen that it has successfully done. So, now we are going in this category. We will be introducing product with MRP of ₹ 500 to ₹ 750. In the first instance, we will be giving it to 50 stores in eastern part of the country and the southern part of the country. So, we will again see how it works, because last time the stock was less it is totally exhausted. So, this time we are going with a greater volume. And we expect that in this year the sales would be around 1% or 2% of the total sales.

Abhishek Getam: For FY '26?

Indrajit Chaudhuri: FY '26.

Abhishek Getam: Okay. So, it will be a smaller business?

Indrajit Chaudhuri: Yes. But again, if it is again successful, then we will again increase. We are taking small steps here because there the product has to be brought. And since it is a new type of product for us, so we are taking a close look and then only invest in more products.

Rittick Roy Burman: The initial stocks that we got that all got extinguished, now another set of stocks have been ordered. They will come and we will sell that also. Plus, winters was a bit tight, if I can say, winters was a bit not as good as summer time, regarding athleisure. So, we are learning all these things and we will be investing accordingly.

Abhishek Getam: Okay. Then are we targeting any age group or male specific or female specific, what is the target market here?

Indrajit Chaudhuri: No, our product would be for both the young and the middle age.

Abhishek Getam: Okay. And across male and female both?

Indrajit Chaudhuri: Yes,

Abhishek Getam: Okay. And what SKUs do we expect to keep, number of SKUs?

Indrajit Chaudhuri: Around 20, with color and design.

Abhishek Getam: Thank you. So, a couple of calls we have spoken about getting on quick commerce, partnering with Zepto I think, so any color on that?

Indrajit Chaudhuri: No, what we have done is that we are shifting our warehouse from our places to e-kart place. So that's why the Zepto thing has been kept under stoppage. So, once it starts, we will start the Zepto thing. All the agreements and everything has been done, so once the place is finalized and operative, then we will start that.

Abhishek Getam: Sir, usually on quick commerce there's like ad spends and all that, so do we think their gross margins will get compromised?

Indrajit Chaudhuri: See, in ecommerce the gross margin is compromised because of cost of doing the business. We will first try out, then if it's okay then only we will expand there. Otherwise, we will not expand.

Abhishek Getam: Okay. And then we are looking for Pro or British Walker, how many SKUs?

Indrajit Chaudhuri: Sorry?

Abhishek Getam: For a quick commerce, you are targeting which brands, Pro, British Walker?

Rittick Roy Burman: No, for quick commerce some socks and all should be there, the EVA products. It's more of a product category wise thing than a brand thing. So, there can be some slip-on sport shoes, there can be some EVA slippers. Because what we feel is that very fancy things, more utility type of product will get sold there, not like some high fashion ladies slipper probably would not get sold in quick commerce. I think what would be sold is a school shoe or clogs type of products, these types of products.

Also, we are trying, you asked about ecommerce and everything, so we are trying to consolidate our business. We are putting up a special focus on the cost in the ecommerce business also. So, we have outsourced the warehousing bit for ecommerce to Ekart because they are more specialized in handling the returns and sending the goods and everything. A part of our own warehouse space would no longer be required because of this ecommerce.

Indrajit Chaudhuri: Mainly we are converting the fixed cost into variable cost actually.

Rittick Roy Burman: Yes, actually.

Abhishek Getam: Understood. Sir, just a book-keeping question. Can you please give me volumes for last two quarters for retail and distribution and ASPs also?

Indrajit Chaudhuri: In retail, for the 9 months we have sold around 54 lakh pairs and in distribution it is around 1.70 crore pairs.

Abhishek Getam: Okay. And ASP sir?

Indrajit Chaudhuri: In distribution it is 96 and in retail it is 539.

Abhishek Getam: Understood. Thank you.

Moderator: Thank you. We take the next question from the line of Sahil Vora from M&S Associate. Please go ahead. Sahil, your line is in the talk mode, please go ahead with your question.

Sahil Vora: Yes. Sorry. So, I was just broadly looking at the peers and our company, and I have noticed that usually for other peers Q3 seems to be a peak quarter, for a couple of them even Q1, the back-to-school phase, entire thing, that is also a good quarter for them. However, when you look at our business, since December '21 a lot of quarters there's no seasonality as such, so can you just walk me through what is it that I am missing with the business?

Indrajit Chaudhuri: See, because we are primarily in the eastern part of the country, so our peak comes during the Puja thing. So, this year since the Puja was in the second quarter, because we sell to our franchise also and Puja was in the month of October.

Rittick Roy Burman: Early October.

Indrajit Chaudhuri: Early October, so the maximum sale has happened in the second quarter. But if you see the second quarter number and this quarter number, the number seems to be same because the distribution business in third quarter has done more compared to the second quarter. So, the retail business has done more in second quarter. So that's why the seasonality you cannot see because we are having both the wholesale and the retail in the same. But our seasonality mainly depends on Puja, if the Puja is in the early part of October, then the peak happens in second quarter, and if the Puja is later part of October, then we have more sales in the third quarter of the year.

Sahil Vora: Okay. Understood, sir. And sir, my second question would be that I have seen the presentation mentioning that you also added retail stores and distributors also. But I think over the 9 months it does not reflect on the revenue. So, I just wanted to understand, because you also mentioned earlier in the call, you had to take some pricing discounts also. So, I think that may offset the volume and value growth there. But largely to understand, when you set up a new store in Tier 2 or Tier 3 city, how long does it take until your throughput increases your desired level and payback happens? So, if you can just help me with your store economics and stuff.

Indrajit Chaudhuri: In our case, in eastern part of the country our store breaks even in a year, and while in south it takes around two years. So mainly we are opening a store in the eastern part of the country, but the sales volume has not increased because there is no growth in SSG. And also, during this year we have closed COCO stores which were making losses. So, this impacts the total value-wise sales because the volume has also come down a little bit and also, we have taken some discounts. So, all of them together have reduced the sales value.

Sahil Vora: Okay. Understood sir, that was very helpful. My final question is that you have mentioned that you are also increasing store count, and earlier in the call we also heard you talk about optimizing product mix and introducing new kinds of products. So broadly, if you could help us summarize where does your revenue growth come from for the next year? I understand that 9 months have already gone through for this financial year, but FY 26-27 what are some of the levers at your disposal wherein we can see revenue growth coming in for your business?

Indrajit Chaudhuri: Mainly since we are reducing the price, we are focusing on the volume growth in retail. And also, some new store will be launched. From there we will get some volume growth. And also, we are trying to increase the SSG of the existing stores. So, these three levels are there for retail stores.

Rittick Roy Burman: And one more thing which we are doing in the retail business now is, retail constitutes of both franchise and company-owned outlets. So, some of the franchises, we are a very old franchisee brand. Franchisees in the Eastern region itself has become very like; they are not up to the mark. So, we are taking them over and going on a sale on a commission basis with them. So, in that way what will happen is our sale revenue could increase there as well. Because they are some of the franchises which are not performing up to the mark, they are not billing the goods from us as much as they require because of their own issues. So, what we are doing is we are going to them, we are telling them, okay, you do not have to buy the product from us, we will take over the operations, we will send you the stock, and we will give you a percentage of sales. So that way we have done a few stores, around 30-odd stores. And we are seeing a good response from that. So that is also one of the levers to increase our sales for FY ‘26.

Sahil Vora: Okay, sir. And athleisure, I was hoping to hear something on it, do you feel that becomes a material part of your business two, three years down the line?

Rittick Roy Burman: Athleisure is there, then athleisure will become, then accessories is also there, plus 4%, 5% athleisure will become and then accessories around 10%. Accessories is doing well, that also has a lot of scope. And we are also trying to see some of the products which are not doing well and we will eliminate those and we will instead keep those products which are doing well now in the store. So, these kinds of actions are being taken by the team. Like clogs is doing well, we are going to push more of clogs. And say like some old type of chappals are not doing well, we will try to take that out. So, these kinds of initiatives we are taking in the stores. So, all of these things would ensure growth.

Sahil Vora: Got it. That was really helpful. Thank you for the detailed response. And all the best to you and the team.

Moderator: Thank you. We take the next question from the line of Ankita Aggrawal from MNV Capital. Please go ahead.

Ankita Aggrawal: Thank you for this opportunity. So, despite we can see that there is 2.5% of year-on-year growth in revenue in Q3, but profitability seems to be impacted. So, could you just provide more details on the key drivers behind the revenue growth? And why profitability is not keeping the same pace?

Indrajit Chaudhuri: See, the 2.5% growth that we are telling is on total 9 months in this quarter, quarter to quarter highest quarter. The thing is that the growth has mainly come in the distribution business where the margin is less. And in retail, in this quarter to earlier quarter, because earlier quarter the Puja was late in the October so the margin was high. This quarter in retail in December we have introduced more discounted stock, so that has impacted the margin. And once the margin has impacted and the cost, there is inflationary pressure on cost. The cost has increased compared to last year this quarter. So, both of them taken together has reduced the profit.

Ankita Aggrawal: Okay. Thank you, sir. And also, as we look ahead to the next quarter and FY '26, could you please give me some kind of guidance in terms of revenue growth and margin expectations? And also, like what key factors do you believe will drive performance? And how confident are you in achieving those targets, given the current market conditions?

Indrajit Chaudhuri: See, the current market condition is not good, the macro condition is not good, but still, we are trying to increase the sale through various modes. This year we have taken a fundamental call on reducing the MRP of our mother brand Khadim, so we are expecting some volume growth. And with the volume growth, we will expect the value sales growth there. We are taking initiatives to reduce the cost wherever possible. So, with the increased sale and reduced cost, we will try to achieve more profit. And the drivers are, one is volume, one is the new store addition, one is we are also introducing this --

Rittick Roy Burman: Commission on sales basis type of stores in our franchisee.

Indrajit Chaudhuri: So, these types of activities are taken to increase the sales value. Margins will slightly go down because we are introducing new products with lower margin. But with the volume increase we have seen that the product is successful in the retail, and we expect that FY '26 will be better compared to FY '25.

Rittick Roy Burman: Yes, we are more confident because we see some hope, we see good hope because now that the discount season is going on where, again, products are available at a lesser price to the customers. So, there is a traction you see. And also, one more aspect is that, especially our franchise business which is mainly in the Tier 2, Tier 3 interiors of the country, there because of the past three years the prices were continuously increased. Now, when the prices will be reduced, which will take effect from end of March, the stocks will come in, what will happen is these franchises etc. will also will be taking up more products than what they used to. Like we have this BO classification of store called branded outlets, which is mainly in the Tier 4 cities. There we have recovered quite well, because they were given many low value products over the last one year, so there we have recovered well.

So pricing is one factor. Then second factor is underperforming stores we are taking over and doing this commission on sales sort of a model, that is another factor. Then there is, again, apart from that we are focusing on the trending products like clogs or in open ladies' footwear we have the sub brands called Cleo and Khadim where the prices had increased a bit too much. Now when the Cleo fashion type of ladies chappal will be available in the pricing that is affordable by the consumer, it will be a good thing for the consumers, they will be able to buy from us more than what used to before, over the last three years what they used to.

Ankita Aggrawal: Fair enough, sir. Thank you. Thank you for answering my question. All the best, sir.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we will take the last question from the line of Ankit Shah, an individual investor. Please go ahead.

Ankit Shah: Yes. Hi. So one was on the demerger, so what is the status, by when do we expect the order to be received?

Indrajit Chaudhuri: Demerger is pending before the NCLT for the final orders. So, the dates are, I think within February we will get, the dates will be on 21st February. But what is happening, the NCLT is tied up with so much pressure that the thing is not coming up when hearing is going on. So, but we expect that within February we will get the order and by next financial, 1st April, the demerger will be effective.

Ankit Shah: And the trading will start for the new business distribution?

Indrajit Chaudhuri: It will take another two months' time for the shares of the demerged entity to be listed.

Ankit Shah: No. So has the court reserved the order, or they have not yet reserved the order?

Indrajit Chaudhuri: No, no, they have not reserved. Once the order is reserved, then suppose we get the order in March, then the demerger will be effective from 1st April. It will take around 14 days for the order to come, from reserve to getting the order in hand.

Ankit Shah: So, you are expecting the reserve of order happening in Feb itself?

Indrajit Chaudhuri: Yes.

Ankit Shah: And the other question was, when I compared the margins of your retail business, which is roughly 16.5% for the nine months, it is very low as compared to say a Metro which is at 30%, 32% and a Bata which is at 22%, 23%. What is the key reason for that?

Indrajit Chaudhuri: Our margin comprise of our EBO margin, which is lower compared to the COCO margin because there in Metro the franchise business is comparatively lower than us, and they operate in higher gross margin than us. So, these two factors reduce our EBITDA margin. Another is the economies of scale, they are operating at a ₹ 3,000 crores sales Bata, so their economies of scale will be higher compared to us.

Ankit Shah: What is our COCO EBITDA margin?

Indrajit Chaudhuri: COCO EBITDA margin is around 22% to 25%.

Rittick Roy Burman: I mean, because of sales have reduced a bit that's why the EBITDA margins have also dropped a bit. Apart from that also, some other unknown areas where Khadim is not that well known, like Rajasthan or something like that, so those kind of places we were having shops but all they were doing is contributing to the EBITDA losses, okay. So, we have started taking some calls on such kind of stores. So, we are trying to improve the EBITDA margin. It might have dropped for some time.

Indrajit Chaudhuri: But that will not be in the level of Metro.

Rittick Roy Burman: It won't be at the level of Metro.

Indrajit Chaudhuri: Because Metro is having a gross margin of around 70%.

Ankit Shah: No, so your EBO, the way your accounting works is you bill them at MRP?

Indrajit Chaudhuri: MRP less discount.

Ankit Shah: Which is how much on an average?

Indrajit Chaudhuri: Around 30%.

Ankit Shah: So, you lose that 30% straight there, whereas your rent is only, that's where you get impacted because rent comes below EBITDA for your COCO.

Indrajit Chaudhuri: Yes.

Ankit Shah: Okay. And the distribution, what is the PBT loss for the 9 months?

Indrajit Chaudhuri: It has been provided.

Ankit Shah: That is at EBITDA level, I am saying PBT.

Indrajit Chaudhuri: PBT level we do not track, because of the finance cost and the depreciation are a combined thing.

Ankit Shah: Understood. Thank you. That's it from my side.

Moderator: Thank you. As there no further questions from the participants, I now hand the conference over to Ms. Masoom Rateria from Orient Capital for closing comments.

Masoom Rateria: Thank you everyone for joining us on the call today. I would also like to thank the management for sparing time and addressing the questions today. We are Orient Capital, the investor relations to Khadim India Limited. For any queries, please feel free to reach out to us. Thank you.

Rittick Roy Burman: Thank you so much to all. Thank you.

Moderator: Thank you members of the management. On behalf of Khadim India Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.