November 24, 2023

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, November 17, 2023.

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 half year ended September 30, 2023.

Kindly take the same on record.

Thanking You,

Yours faithfully,

For **Khadim India Limited**

ABHIJIT DAN Digitally signed by ABHIJIT DAN Date: 2023.11.24 19:39:30 +05'30'

Company Secretary & Head- Legal
ICSI Membership No. A21358

Encl: As above

"Khadim India Limited Q2 & H1 FY24 Earnings Conference Call"

November 17, 2023

MANAGEMENT: **MR. RITTICK ROY BURMAN – WHOLE TIME DIRECTOR, KHADIM INDIA LIMITED**
MR. INDRAJIT CHAUDHURI – CFO, KHADIM INDIA LIMITED

MODERATOR: **MR. SUMEET KHAITAN – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Q2 & H1 FY24 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sumeet Khaitan from Orient Capital. Thank you and over to you.

Sumeet Khaitan: Yes. Good evening, everyone. Welcome to the conference call to discuss the result for Q2 and H1 FY24 of Khadim India Limited. Today from the management, we have Mr. Rittick Roy Burman – Whole Time Director and Mr. Indrajit Chaudhuri – CFO.

Before we start the call, I would like to give a small disclaimer that this conference call may contain some forward-looking statements, which are based on beliefs, opinion and expectations of the company as on date. Actual results may differ materially. A detailed Safe Harbor statement has also been published in the company's investor presentation, which was uploaded on the Stock Exchange today. I hope everyone had a chance to go through the results and the presentation before this call. I would now like to hand over the call to the management for their opening remarks. Over to you, sir.

Rittick Roy Burman: Thank you. Good evening, everyone. On behalf of Khadim India Limited, it is my pleasure to welcome you all to this conference call to discuss the Q2 and H1 FY24 results. We appreciate your time and interest in our company's performance. I hope that everyone had an opportunity to go through the financial results and investor presentation which have been uploaded on the Stock Exchange.

The demand linked to festival season has been pushed to Q3 of this fiscal year. The impact was seen in our revenues, which declined by 16% year-on-year in the second quarter. However, despite such challenges, we continue to maintain healthy gross margins of 44.7% in Q2 FY24, benefiting from the lower raw materials prices as well as higher contribution of sales from the retail wing of the business. We expect the demand to rise in the festive season and our growth trajectory remains positive for second half of FY24. Contribution from retail sales stood at 70% in Q2 FY24 and 66% in first half of FY24. Our retail stores count as on first half of FY24 stands at 861 stores. We opened 51 new stores this quarter.

Moving to model wise store count, our COO store count on half yearly basis stands at 225 stores and for franchisee, which includes EBO, FRM and BO stands at 636 stores.

We are continuously expanding in Tier 2 and 3 cities and retail presence in Tier 3 cities stands at 49% in Q2. Our distribution business contributed 27% to revenues in Q2 and for half year 24, the contributions stood at 30%. We added 19 new distributors in the quarter taking our total count to 741 distributors as on half year FY24. Our distribution network continues to remain strong in each zone with 475 distributors as on half year FY24. Our retail and distribution business are currently present in 25 States and 4 Union Territories as of September 2023.

In the last quarter, I mentioned about the demerger of our distribution business. The wholly owned subsidiary, namely KSR Footwear Limited has been formed for the said purpose. This business was part of distribution segment of Khadim India Limited, which provides branded and affordable footwear in the mass footwear category in Tier 1 to Tier 3 cities. The demerger will facilitate the allocation of resources necessary for each business to concentrate on its expanding operations. This will also aid in attracting suitable talent and offering enhanced growth prospects to existing talent, aligning with a more targeted strategic focus for each business segment within distinct entities. We are also closely monitoring the market situation and simultaneously preparing to implement the BIS regulations on footwear effective from Jan 2024. We might face some issues in supply chain, but we are not front loading our inventory to prevent any delays in future.

Now moving on to Q2 and half year FY24 financial highlights. On quarterly performance, revenue from operations for Q2 FY24 is at ₹ 157 crores as against ₹ 186 crores same period last year, degrew by 15.6% year-on-year. Gross margin for the quarter stood at 45%, up by 400 basis points year-on-year as higher contribution from retail led to favorable product mix. The EBITDA for the quarter stood at ₹ 17.6 crores, registering a de-growth of 21% year-on-year. Operating EBITDA margin for the quarter stood at 11.2%, down by 80 basis point year-on-year. The net profit for the quarter stood at ₹ 1.8 crores, down by 64% year-on-year. PAT margins for the quarter stood at 1.1%, down by 160 basis points year-on-year.

Now, I would like to tell the half year FY24 highlights as well. Revenues from operations for half year FY24 stood at ₹ 315 crores as against ₹ 352 crores in half year FY23, a decrease of 10.5% year-on-year. Gross margins for half year FY24 stood at 45%, up by 380 basis points year-on-year. EBITDA for half year FY24 stood at ₹ 35.9 crores as against ₹ 39.4 crores in half year FY23, a degrowth of 8.7% year-on-year. EBITDA margins for half year FY24 stood at 11.4%, up by 20 basis points year-on-year. Profit after tax at ₹ 3.4 crores half year FY24 versus ₹ 8.4 crores in half year FY23, a decrease of 59% year-on-year. PAT margins for half year FY24 stood at 1.1%, down by 130 basis points year-on-year.

With this, I conclude my speech and open the forum for question and answers.

Moderator: Thank you very much. We will now begin the question and answer session. We have a first question from the line of Abimanyu Kelkar from KC Capital. Please go ahead.

Abimanyu Kelkar: I have two questions. We are witnessing a consistently improving trend in gross margin and now even EBITDA has improved. Can you please explain how the product mix is changing favorably or any sub brand in particular which may be driving this premiumization? And the second question is, how are we doing in women's footwear and which brand is seeing good traction?

Rittick Roy Burman: Thanks for the question. So yes, the premiumization trend is strongly at play, especially because we have launched a good range in the sport shoe segments, which is our Pro sub brand, so that is seeing a good traction. So overall the sub brands is 60% and the mother brand Khadim sale contribution is around 40%. So, it has increased. Since the sub brand has increased, the gross margin has improved.

Indrajit Chaudhari: Also in the sports shoes, we have launched product in Pro brand in the range of ₹ 2000 to ₹ 3000. Previously, we were selling sports shoes from ₹ 1200 to ₹ 2000 range. So, this year we have launched this and this was very much successful. We have seen there is lot of attraction in this type of product. In the ladies segment also, we have seen good traction in Cleo and also in Sharon also. So whereby we were able to generate the higher margin by premiumization of the sub brands.

Rittick Roy Burman: And ladies and gents is almost like 45-55, gents is bit higher value wise and 45 would be ladies percent.

Abimanyu Kelkar: Thank you so much. Just one last question sir, just wanted to know if there is going to be any change in your brand ambassador or is it going to be the same as we are currently with?

Indrajit Chaudhari: We have a contract till March, so we are continuing till March. Then whenever the budget for the next year is finalized, we will then decide whether we will continue or not.

Moderator: Thank you. We have a next question from the line of Ninad Sabnis from Sabnis Financial. Please go ahead.

Ninad Sabnis: Sir, I want to ask what is the outlook for expanding the distributor network? Also, what will be the closing count for FY24 and if you can help me with an estimate for FY25 that would be very helpful?

Indrajit Chaudhari: So, we are expanding distribution business only in East and we have a target of opening around 70 to 75 distributors. However, for the next year since we are doing a demerger, so we will consolidate on the distributor, focus on the big distributor so that when the new company is coming up, the company instead of expanding with different distributor in the same area, we will concentrate in one direction with the big distributor in a particular district. So, the FY25 will be coming with the new company and with the new policies.

Moderator: Thank you. We have our next question from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Thanks a lot for the opportunity. So firstly, from my side, so can you please throw some light on the reason for degrowth in the topline for retail and distribution business for the current quarter?

Indrajit Chaudhari: Retail, the thing is that we have grown in franchisee because franchisee took the primary sale before the Puja. But last year since the puja was in the 1st of October, the Puja started. So, the COO sales shifted to October, so that's why there is a little growth in the total retail sales. In distribution, we have seen a huge degrowth as we have already mentioned that the distribution business, the traction is less and we are also checking on the credit and there is also the low muted demand for the lower segment product for Hawai and PU. We are not pushing to the distributors with the product and increasing our working capital days. So, there we are taking corrective measure so that whenever you take corrective measure in working capital, your sales declines, but we have gone and met distributors in Bihar and UP. So, while correcting, we have seen that there are some changes we have to do as I have already told that we are consolidating the distributor so that the price cut that happens in the market can be stopped and we can consolidate the distributor and so that the demand for a particular product remains and there is no price cut which reduces the demand and create chaos in the market. So that's why we have taken the corrective action in the third quarter also, the retail will see growth. Distribution, we are trying to keep whatever sales we have done in last quarter that intact, but however there will be some correction in distribution, but hopefully this will give better results from the fourth quarter onwards.

Deepan Shankar: So, in retail per se, so most of the degrowth was coming from volume degrowth or we have some price degrowth also?

Indrajit Chaudhari: No, the volume degrowth means this is because the puja shifted, otherwise there is only the impact of Puja. But you will see that COCO will be having higher growth in the third quarter.

Deepan Shankar: So, in Q3 already, have we started seeing improvement in footfalls and volumes growth coming back during this festive season?

Indrajit Chaudhari: Yes, in Puja, we have grown in our COCO business by around 7% to 8%. So that's why the shift was there in puja. That's why that happened. But in distribution business, we are taking some corrective actions. So that, overall we should improve the health of the business.

Deepan Shankar: And retail, have we taken any price increase during the current quarter and are we planning to increase anything in future?

Indrajit Chaudhari: Yes. We have an ASP increase of around 4% to 5% and again we'll take the increase in the next festive season.

Deepan Shankar: So, in the initial commentary, you talked about the sports shoe contribution. So, what is that contribution currently and where are we planning to increase that contribution level for over next 2-3 years?

Indrajit Chaudhari: The sports shoe contribution… The Pro is giving around 20% of the total volume. Our merchandiser have attended the China fare. So, we are trying to improve our product because we have gone and seen the design, we try to manufacture them in India because there are BIS problem because the Chinese vendor are not going to take the BIS. So, we are trying to give that same type of product in India only. And with variety of color and option, I think this sports shoe will definitely have a growth and we have already taken price increase as I've told we are selling sports shoe in the range of ₹ 2000 to 3000. So, we'll come up with other latest design so that the volume in this segment grows and the overall profitability of the company increases.

Deepan Shankar: So, sports shoe contribution to margins or margins for the sport shoes is much higher than company average level?

Indrajit Chaudhari: No sports shoe margin is around 2%-3% higher than company level, but we want to keep the price competitive also, but increased volume will give an overall contribution to the company.

Deepan Shankar: So lastly from my side regarding this demerger, so when are we expecting that whole process to get completed? What is the status currently?

Indrajit Chaudhari: We have already applied in the BSE, NSE and the SEBI so that is a process. I think next year May or June we will complete the formalities and the new company is already in existence, the KSR will start from maybe 1st June or 1st July.

Deepan Shankar: So overall 6 to 9 months, this will get over.

Indrajit Chaudhari: Yes.

Moderator: Thank you. We have a question from the line of Sudharsan N from Prosperity Wealth Management. Please go ahead.

Sudharsan N: My question is on your current debts and finance cost, could you give me the numbers on your current outstanding debts and what is the percentage of finance cost?

Indrajit Chaudhari: Current debt is around ₹ 116 crores and the average cost is around 10% to 10.5%.

Sudharsan N: And regarding your retail business, I see that the EBITDA margins are at close to 20% for this current quarter. Moving forward, post the BIS thing comes in and when you switch to Indian suppliers for retail, what will be the margin erosion in this part for retail? Any guidance on that?

Indrajit Chaudhari: At present, we don't exactly know what will be the cost of the product with the BIS and all, so we can definitely give you guidance in the fourth quarter.

Sudharsan N: And regarding your retail business, could you give us a number on what kind of PAT margins are at the current quarter? Net profit margins for retail business?

Indrajit Chaudhari: At present, we are doing the analysis of distribution and retail till EBITDA level. PAT and PBT cannot be segregated till the demerger is happened. Once the balance sheet item goes from one company to another, then only we will be able to give the exact number. Tentatively, the PAT margin would be around 7% to 8%.

Sudharsan N: And your current receivable levels, how much is of distribution business and how much will it be of the retail business?

Indrajit Chaudhari: Around ₹ 45 crores is distribution business and retail would be around ₹ 80 crores.

Sudharsan N: So, I just want to know the breakup of other expenses between your retail and distribution business?

Indrajit Chaudhari: No, I think better you can take this question one to one. I can give you the breakup of the cost.

Moderator: Thank you. We have a question from the line of Jagvir Singh from Shade Capital. Please go ahead.

Jagvir Singh: In the retail business, we did around 17.5% margins in the current quarter. So, what is the guidance for the second half and for the next year?

Indrajit Chaudhari: Second half, the margin will be little better because of the festive in the third quarter, maybe 1% improved from the first half. Next year when the two businesses are demerged, so we expect retail margin, we are planning to have a retail EBITDA margin of around 20%.

Jagvir Singh: Can you share the ASP compared to the last quarter to this quarter, average sales price?

Rittick Roy Burman: ₹ 650.

Jagvir Singh: What was it on the last quarter?

Rittick Roy Burman: Is a little lesser, like maybe 3% lesser than this, little bit lesser.

Jagvir Singh: The finance cost and depreciation is around ₹ 70 crore per year for both the businesses, retail and distribution. So, can you segregate this number, how much will go to the retail and how much after the demerger?

Indrajit Chaudhari: The process is going on. Once the asset of the retail and distribution is classified, then we will able to give the numbers.

Jagvir Singh: And how much was the impact of shifting of Durga Puja to the second half, how much impact on the first half of this?

Indrajit Chaudhari: You can expect a COCO sales of around ₹ 20 crores to ₹ 25 crores shifting to another next quarter.

Jagvir Singh: So earlier, we had a professional CEO, she has resigned. So now we have any plan for any professional CEO or we will manage this?

Indrajit Chaudhari: Our Whole Time Director, Rittick is taking the role of the CEO. So we are not planning for any professional CEO at present.

Jagvir Singh: The last question regarding the size of the store mainly in the East, So what is the average size of stores in the eastern region?

Indrajit Chaudhari: The average size of the store in the eastern region is around 1000 square feet.

Jagvir Singh: And what is the strategy for the UP because I have seen some stores in Noida, so these stores, they also are around 1000 square feet. So, what is the overall strategy to expand in UP?

Indrajit Chaudhari: We will be opening COCO of 1000 square feet. We will not open big stores. We'll limit our store to 1000 to 1200 depending on the rental of the area.

Jagvir Singh: What is the plan for Uttar Pradesh? How much do you want to open in the next 1 year or 2 years?

Indrajit Chaudhari: At present, we are considering opening stores in the eastern part of the country. We have opened this year around 12 stores, out of which around 9 to 10 is opened in eastern part of the country. So, in the next year also, we will consider only opening in eastern part. Maybe one or two strategic location is found in the other part, we will open.

Moderator: Thank you. We have a next question from the line of Kashish Shambhwani from Negen Capital PMS. Please go ahead.

Kashish Shambhwani: In the last call, we mentioned that we would be targeting somewhere around 16% EBITDA margin in the retail business and now we are saying that we might touch 20% number. So what led to this change? I understand there has been raw material softening but apart from that, what changes have been made which this is the confidence of almost 400 bps?

Indrajit Chaudhari: See what we have seen is that the raw material price has softened and also as I told you, we are considering some premium product in the sub brands. So, this added margin is increasing the EBITDA margin.

Kashish Shambhwani: Right. So, you say there are more levers from where we can probably cross 20% as well in 2 or 3 years down the line?

Indrajit Chaudhari: At present we cannot tell, but obviously we'll try to increase the product profile and generate more contribution to increase the EBITDA margin.

Kashish Shambhwani: But as per current visibility, 20% would be the normal base for us going forward.

Indrajit Chaudhari: In the retail business.

Kashish Shambhwani: Second question is on the receivables front. We do have some receivables from the government entities. So, any update on when can we expect that money to flow in?

Indrajit Chaudhari: We have already got money from the UP government of around ₹ 28 crores so that we have received in this second quarter. In UP, there is one district left… of around ₹ 9 crores. So that may be we will be getting in this quarter only. And in regard to Punjab, we will try to get it within this financial year.

Kashish Shambhwani: How much would be our receivables from Punjab, Sir?

Indrajit Chaudhari: Around ₹ 32 crores.

Kashish Shambhwani: And most of the money would go for debt repayment, right?

Indrajit Chaudhari: Yes.

Kashish Shambhwani: In the last call, again we guided for somewhere around 10% to 12% growth for FY24. So, do you think we are on track to sort of achieve this number?

Indrajit Chaudhari: We are expecting a good festive, because festive has shifted, maybe a little lesser than what we have told 10% to 12%, but definitely in the range of 7% to 8% we will be doing this.

Rittick Roy Burman: Second half should be good, second half of the year, this should be good.

Kashish Shambhwani: At least high single digit is possible, if not 10%?

Indrajit Chaudhari: Yes.

Moderator: Thank you. As there are no further questions, I would now like to hand over the call to Mr. Sumeet Khaitan from Orient Capital for closing comments. Over to you.

Sumeet Khaitan: Thank you everyone for joining the call. I would like to thank the management for sparing the time and answering the questions today. We are Orient Capital, Investor Relations Advisors to Khadim India Limited. For any queries, please feel free to reach out to us. Thank you everyone.

Rittick Roy Burman: Thank you.

Indrajit Chaudhari: Thank you.

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