"Khadim India Limited
Q2 FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Khadim India Limited Q2 FY2019 Earnings Conference Call hosted by IDFC Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the 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. Mehul Desai from IDFC Security. Thank you and over to you Sir!

Mehul Desai: Thank you. Good evening everyone. On behalf of IDFC Securities, I would like to welcome you all for Q2 FY2019 earnings call of Khadim India. From the management, we have Mrs. Ishani Ray, CEO of Khadim India and Mr. Indrajit Chaudhuri, CFO of Khadim India, so I will hand over the call to Ishani madam for her opening remarks. Over to you Madam!

Ishani Ray: Thank you Mehul. Good evening everyone. On behalf of the Board of Directors and the Management of the Company, we extend a very warm welcome to all of you to the conference call of Khadim India Limited to discuss financial results for the Q2 and first half of the FY2018-2019. We take this opportunity to once again sincerely thank all of you for your support.

In what has been a challenging quarter; in line with our expansion plans, we have added 19 new retail stores and 24 new distributors in this quarter. Our total count currently stands at 785 retail outlets and 509 distributors. We have faced challenges in retail growth in terms of sales, and margin pressure in the distribution business. Since we have a low turnover in distribution business compared to our peers, we were unable to hike prices, which would have resulted in volume degrowth. This helped us to sustain our distribution sales growth at a healthy level of 27%. This quarter has been quite a learning experience for us as we faced new challenges and are planning measures to overcome them. We are now looking to increase cost efficiency and with a stabilizing rupee coupled with falling crude prices, we hope to be able to improve on our margins.

Let me briefly discuss our financial performance during the quarter-ended FY2018-2019. Q2 FY2019 net revenues increased by 30.7% from Rs.1731 million to Rs.2264 million, YoY retail business grew by 7% while distribution business continued strong growth at 32% mainly due to addition of new distributors.

COCO contribution to overall revenue remains stable at 51% during the quarter. Q2 FY2019 gross profit increased by 18.5% from Rs.726 million to Rs.860 million; however, gross margin fell to 38%. EBITDA went down 11% to Rs.188 million from

Rs.211 million. EBITDA margin declined from 12.2% to 8.3%. While PAT has reduced from Rs.114.4 million to Rs.85.9 million, our cash PAT is at Rs.132.6 million.

With this, I would like to open the call for question and answer. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Pritesh Chedda from Lucky Investment. Please go ahead.

Pritesh Chedda: Madam what explains the mix growth because you said growth in retail is 7% and that in distribution is 32%, there should be some other piece, which would have grown faster than the 30% The second question is on gross margin decline. If you could dwell a little bit more why and from which channel or segment this gross margin decline is caused.

Indrajit Chaudhuri: In overall sales, there is a 20% growth, this is mainly because there was an institutional sales order of around Rs.35 Crores in this quarter, which we didn't have in the previous quarter. We have made sales to the UP Government for 15 lakh pairs of shoes and 25 lakh pairs of socks

Pritesh Cheda: You were responding on the gross margin decline you were saying, it was owing to?

Indrajit Chaudhuri: retail gross margin was at 47%. The decline in gross margin is mainly on account of the distribution business where we have seen a fall in gross margins from 38.8% to 33.8%. The main reason for decline in gross margin is the rise in crude and Dollar prices, since the distribution business mainly operates on raw material, which is imported from South Korea and China. we are unable to increase the sales prices because the increase in sales price could have resulted in the degrowth in our volume.

Ishani Ray: Because this is a segment where we are dependent on how competitors are reacting to the price hikes, we have to wait for the competition to make the first move.

Pritesh Cheda: But this still does not explain 150-basis gross margin decline? There has to be some other reason for gross margin decline? Retail you said is flat?

Ishani Ray: Because it is an impact of the mix. In retail business the gross remained at the same level, but the institution sales typically give a lower gross margin, so the change in mix also resulted in overall decline of the gross margin.

Pritesh Cheda: How does this rectify itself Ma'm?

Ishani Ray: we have seen that the competition has increased the price, & crude and Dollar are softening. Hopefully there will be some improvement in the margin because raw material will be be at lower price and we would also be able to pass on some of the price hike to the consumers through a revision in the MRP.

Pritesh Cheda: Your comments on the retail growth of 7%?

Ishani Ray: As I said in my opening remarks, it was a challenging quarter for us. We have seen a sharp decline in the footfall, so we are deliberating on the costs. One reason could be that there has been a massive spurt of advertising campaign from the competition so due to that some of our customers got diverted to competition. We are doing a district wise study at what went wrong and accordingly we will take corrective action.

Pritesh Cheda: Lastly, I want to take your comments on the working capital. There has been a continuous deterioration, even in first half there is no generation of cash flow? The entire money sits in the working capital, so your comments on it?

Ishani Ray: As I have explained before, our entire retail business is catered through an outsourced procurement. We procure it from vendors and the entire procurement process takes about four to five months, wherein we place the orders with vendors and against specific purchase order so that it can reach to the remotest part of the country where we have our franchise network., There is sharp decline in sales from what we had budgeted for. As a result there is an increase in the stock (inventory)level. Typically, in first half, during the festive season you have to extend a higher credit line to your franchise network, which comes down slowly post the festive season, so on the debtor side the money has started coming in, , and we have stopped further procurement, so there is an embargo on fresh purchase. We will only be procuring whatever is required to replenish the shortfall so this will help us to bring down the stock level.

Indrajit Chaudhuri: in Q2, there were institutional sales, which has increased the debtor's days to 73 days, but if you remove the institutional sales, it would be 61 days. The corresponding figure on September 30, 2017 was 59, so the debtor's days are at a similar level

Ishani Ray: These debtors' days could come down to the level of what we had in the last financial year.

Pritesh Cheda: There would be no reduction versus financial year 2017-18 in terms of debtors days and inventory days because there has been some acceleration up to March and post that you do not see any reduction?

Indrajit Chaudhuri: Last year, there were institutional sales in the March quarter, so we hope to have institutional sales in this March quarter as well, so it will remain the same. If there are no institutional sales then there debtor days will decrease.

Pritesh Cheda: Any comment on days of inventory?

Indrajit Chaudhuri: Days of Inventory will be at the same level as it was in March 2018.

Pritesh Cheda: Thank you and all the best to you Sir.

Moderator: Thank you. The next question is from the line of Pratim Roy from Stewart & Mackertich. Please go ahead.

Pratim Roy: Good afternoon Madam. I have just one broad question. First of all what is the reason other expense has increased by 150 BPS year-on-year?

Indrajit Chaudhuri: The increase in other expenses is primarily due to rise in the production for our distribution business. where the elasticity of power rate has increased. The expense has also increased due to launch of 11 new retail outlets. In addition, we have also taken extra space in our warehouses in Delhi, Patna, and Bantala. There is also an increase in terms of factory maintenance and repair cost. Higher advertisement expense was incurred this quarter due to full payment made to Chennai Super Kings. We also utilized our ad budget to full extent this quarter, which was 20% higher than what was spent last year.

Ishani Ray: The disproportion that we see between the incremental sales and incremental expenses, is due to expenses which cannot be evenly spread out throughout the year.. For instance, the 40% rise in ad spend is aligned with festive period & incurred in the first half. Similarly additional space in warehouse is temporary to facilitate for the festive season sale. Going forward this space will be released, so that cost will also rationalize.

Indrajit Chaudhuri: Another increase in the other cost is the transportation and delivery which was impacted due to the fuel prices.

Saurav Ginodia: Sir this is Saurav Ginodia, a colleague of Pratim. Sir what kind of footfalls are you seeing post Q2 in the festive season?

Indrajit Chaudhuri: The footfall in our retail outlets has reduced by around 25% to 30% compared to last year.

Ishani Ray: If you are talking about festive season yes that trend continues.

Saurav Ginodia: You mean to say that after Q2 you have seen footfalls reduction to the tune of 20% YoY?

Indrajit Chaudhuri: YoY there is a reduction of around 25% to 30% in footfalls.

Saurav Ginodia: Q3 also you expect to be a soft quarter compared to last year?

Ishani Ray: Last year Q3 did not have the festive season at all. The entire festivity was over by September. This year the festivity started in October and continues till November, so there is a reduction in footfalls, but that festive impact will be seen in the Q3 numbers.

Indrajit Chaudhuri: In Q3 numbers last year there were institutional sales, which have already been carried out in Q2 this year.

Ishani Ray: On an overall basis growth might look muted, but retail would have a better growth.

Saurav Ginodia: Thank you. One more question, despite the high advertisement expense in Q1 ,you mentioned that there is less footfall and customers are distracted over our competitors, so what is the strategy? What is the strategy behind to get those footfalls lost recently?

Ishani Ray: We did not advertise extensively like our competitors did. To generate footfall you must advertise and speak about your brand. but it does not make sense to do a knee-jerk reaction without doing a proper analysis first. So we are doing this study, employing consultants who have the expertise in this field, and after consultation we will formulate our strategy accordingly.

Saurav Ginodia: Best of luck for the next quarter and Happy Diwali.

Moderator: Thank you. The next question is from the line of Ayaz Motiwala from Nivalis Partners Limited. Please go ahead.

Ayaz Motiwala: Thank you for taking my question. Madam, you made a point about retail having dropped 25% and the pressure on margins because of external factors such as crude oil prices and rupee depreciation. You said that the competitor has done a lot of advertising and we sense that may be customers have gone into other showrooms? You said there is a hope that you may raise some prices as well. So can you please explain to us what is your competitive position in the distribution business? You mentioned specifically that we would watch for competitor price behavior and we would ideally like to follow once they raise prices, which they seem to have done now. If the competition chooses to compete very hard and not raise prices in a manner to squeeze your margin because you are a threatening competitor , how should we understand your position in the market?

Ishani Ray: Sorry the line got disconnected. Mr. Motiwala you were asking about competitor and pricing, right?

Ayaz Motiwala: Yes, about your competitive position in the distribution business, which is your key growth driver., in the last few quarters, the business has been challenging. So how should we understand the strength of Khadim's in this business in relation to it retails business for which also you have expressed some challenges in terms of footfalls dropping by 25%?

Ishani Ray: In distribution business ,we still enjoy the sales growth that we had expected. But distribution is a very price sensitive segment and there has to be a price gap between industry leader's product and our product. Particularly in the segment where each player is strong. Like in the rubber segment or the Hawaiin segment where we have key industry players who are very strong. There we need to be very agile on the pricing policy. We have to keep a watch and it was just a patient wait to see how long they can sustain with this level of crude and Dollar price. We have seen that recently they have gone for a price hike, so I do not think there is any major challenge in that business other than the margin pressure which is slowly easing out because both the crude and Dollar are softening. The capability of the competitors to hold on to the prices seems to be fading so I think we have a scope of recovery on the margin in this business.

Ayaz Motiwala: You mentioned that we would also work to improve the cost structure, can you please shed some light on it?

Ishani Ray: We have seen that efficiency in the business is yet to set in, the agility to control your costs in sync with sales growth is yet to be seen.so that is something we are looking at, to ensure that the cost is under control. If there is no overrun on cost ,we can protect the EBITDA and improve it.

Ayaz Motiwala: Can you elaborate bit more on the retail side of the business? Have you taken a price rise there due to which the consumer feels that they could probably go into other brands for a small premium or is there a challenge on your brand? A 25% drop in footfalls in a consumer business seems quite drastic?

Ishani Ray: There has not been any major price change in the competition's products, but what have really seen is that there has been a burst of advertisement activity in the retail segment. Muted advertisement on our part may have enticed the consumer to have a look at what new offerings the competition has. We will do a deeper analysis to find out if there is any other cause so that we can take a more holistic view and take the necessary corrective actions.

Ayaz Motiwala: Is the build-up of stock alarming situation? As your stock may not be freshor current and the consumers look for new and fresh things?

Ishani Ray: Our fresh stocks in retail for the festive season are from our August to September that is Autumn Festive Collection so these are all fresh stocks.

Ayaz Motiwala: If the sell through is not happening at the rate at which it is meant to be, then the stock may lie in the system for three to four months right?

Ishani Ray: Every retailer has two fresh stock seasons. One is spring summer and the August September this autumn and festive season. So this festive season stock which has piled up is supposed to cater to the business for the next four to five months till you launch spring summer collection again. Usually during this period, we had repeat orders, which we have stopped. This stock would automatically come down.

Ayaz Motiwala: Can you point a number to what is the current stock and what is the ideal level you would like it to be?

Ishani Ray: Today the stock is at 197 Crores. By March, we expect it to come down to 130 Crores, which is the same level as was seen in last financial year 2018.

Ayaz Motiwala: In day terms, it will come down hopefully if you have sales growth? Thank you.

Moderator: Thank you. The next question is from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.

Pragya Vishwakarma: Thank you for taking my question. I would like to discuss your retail growth because I think in the first quarter you mentioned that you were not giving discounts during the initial period. and That seems to be the reason there is poor retail growth. When you started giving discounts in July and August you were seeing a 12% to 13% kind of a growth, so what then explains this 7% growth if you can please elaborate?

Indrajit Chaudhuri: If you compare last year's retail by September 30, the Puja was over, but this year the Puja was in the midst of October, so the full retail inflow did not get credited in Q2.In Q1 we were at 0% level in retail. From there, we have come up to 7% by September. By Q3 when the Puja sale comes in, I think that retail growth would be 8% to 9% level.

Ishani Ray: The previous expectation of having a retail growth of around 12% to 13% does not seem likely because of the muted response that we are getting from the retail consumers. We are working on it.

Pragya Vishwakarma: On the distribution side, a followup from what previous participants have already asked. In what time period do you see your competitive position improving versus your peers? Because it a weakness at our end if we have to follow what the competition does and that will always have a very volatile impact on us. What is your internal timeline by when do you see your position strengthening in your distribution business?

Ishani Ray: This is something, which is here to continue. Because it is a segment where you have your position depending on the product profile. But as we are at 200 Crores sales right now whereas the competition is I think is at 2400 Crores, it will take some time. It takes at least three to four years before you have that clout where you can say that okay irrespective of the competition , I will increase my price.

Pragya Vishwakarma: You had a capex guidance of Rs.28 Crores for this year right? Do you still maintain it and what is the capex we have already incurred in the first half?

Indrajit Chaudhuri: We have incurred around Rs.15 Crores of capex in the first half, but in order to increase the capacity in the distribution business, we have to do with the capex so that we are equipped for the increased demand for the next year also.

Pragya Vishwakarma: Got it and so now in the month of October have you started seeing easing out of pressure on your distribution margins?

Indrajit Chaudhuri: Margin pressure has started easing because the Dollar has softened and the competitor has raised prices in the month of November.

Pragya Vishwakarma: Thank you. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Thanks for the opportunity. My question pertains to your observation on footfall drops that you mentioned.. This footfall drop, is it this festive season versus last festive season or this festive season versus last non-festive season of October month?

Indrajit Chaudhuri: No,it is a six months year-on-year comparison.. Hopefully, it will reduce a bit when the October data is finalized, but there is a footfall degrowth over the year.

Tejas Shah: Because my question is in relation to one of the earlier participants who also highlighted that in a consumer business, this kind of footfall is usually unheard of. I just wanted to know if the calculation that you are basing this number on is in sync with what we understand? Second, this footfall calculation will be on your COCO stores, right? Because EBO and others will be difficult to gauge. Or you are making a very holistic comment on EBOs as well?

Ishani Ray: The same thing is reflected in the EBO because that is the feedback that we have got. As you have said this sort of footfalls degrowth is quite unnatural ,that is why we thought of initiating to a district wise study and find out exactly what has gone wrong whether there has been a real degrowth on footfall or there is some incorrectness in calculation of the footfalls.

Tejas Shah: Second question is on the GST benefit.I just wanted to check whether we have passed it fully to the consumers yet or not or is it still in the process?

Indrajit Chaudhuri: No, the stock that we had was already passed on and the new products are purchased at the new GST level.

Tejas Shah: Now putting this correction in prize in perspective from consumer angle and since there is a lot of hue and cry made about crude oil prices in media as well, do you not think that consumer will have much more room to accommodate any price hike, which brands like yours can take?

Ishani Ray: In distribution it is a very price sensitive segment because it is a low priced product for the mass market, if one player increases the price and other key players continue to be at the same price level then there is a shift because this is not a brand specific segment If someone is wearing Khadim Hawaii chappal and you have a local player Ajanta Hawaii chappal which is much cheaper, they do not hesitate to shift there, so that is where you have to be very careful. In Retail segment any sort of price increase is easier to pass on. that is why even though there has been an increase in price of crude based products, th we have been able to pass on the increase price to the consumer and that is why the retail margin did not take a beating.

Tejas Shah: Madam, this is slightly competitive because in distribution business as I believe you must be recruiting consumers from unorganized to organized. Most of your competitors will have lesser sourcing power and I am not putting organized players in the same space. I am saying there is a huge unorganized space also where you will be eying for recruiting new consumers? Now your competitor in the unorganized space will have a lesser sourcing power, lesser room or levers to protect margins and you are saying in spite of all those pressures they are able to cut prices and we, relatively a bigger organization , are not able to match that kind of a volatility is that correct?

Ishani Ray: No, I am not talking about the unorganized segment at all because in the distribution segment also, the conversion that is happening from unorganized to organized that keeps on happening. whereas the unorganized segment compromises on the quality, we being a branded player competing with other branded players, we cannot compromise on the quality. So you have to sacrifice on the margin because none of the other branded players are increasing the price. That is the very reason we are still seeing a sales growth.

Tejas Shah: If I understand correctly organized players in the distribution business are taking a hit on the margins and we cannot compete against them and hence there is a pressure on margin at that point. Is that the correct understanding?

Ishani Ray: Yes.

Tejas Shah: How is unorganized behaving in the distribution business?

Ishani Ray: There was always a price gap between our product and the unorganized player products, so they are relatively better off in taking that hit in the margin because their other associated cost is also lower.

Tejas Shah: Fair enough and lastly madam looking at the H1 number and whatever one month you would have already seen the trend, where would you like to peg your full year guidance for both revenue and margin side?

Ishani Ray: By March end, I think on an overall basis we will be doing a topline growth of around 15% to 16% and we will try to protect the EBITDA percentage that we have done through cost rationalization and if it is possible, pull it up to 10%, I will be happy to do that, but I do not foresee doing anything better than that.

Tejas Shah: This is after accounting for all the headwinds that we have seen as of now?

Ishani Ray: Yes.

Tejas Shah: That is all from my side Madam. All the best and Happy Diwali to you and your team.

Moderator: Thank you. The next question is from the line of Jignesh Makwana from Asian Market Securities. Please go ahead.

Jignesh Makwana: Thanks for the opportunity. Madam can you tell us what is the gross margin in retail business before discounting and has there been any change on that on your YoY basis?

Indrajit Chaudhuri: The gross margin before discounting is around 56% in our COCO and after discounting it is around 52.5%. The discounting basically is lower than that of the previous year and the overall margin in retail business is around 47.5% including the franchisees.

Jignesh Makwana: We have very strong in the Eastern market and we are a sizable player in the South market also, so baring one or two quarters,when can we see a structural growth of 10% to 12% in retail business?

Ishani Ray: If you ask me, we have seen a growth of 10% to 12% in retail businesses last year also. We really need to find out what has got this drastic drop in footfall and unless we really find it out and take corrective actions, I cannot say that in the next two quarters or next one year I will go and do another 12% to 13% growth. I would request all of you to have patience and give me a quarter to find out what went wrong and take the necessary steps before I can give you a definitive guidance, but going forward, this year we would definitively try and improve on our retail business and overall do a top line of about 15% to 16% growth.

Jignesh Makwana: A couple of quarters back we have launched some high price sports footwear into our distribution business, so how is the response we are getting on that front because that is one margin lever, which can improve the margin of distribution business significantly from here onwards?

Indrajit Chaudhuri: Yes, the sports shoe has been launched successfully. Its contribution to the total business is around 2% to 3%.

Ishani Ray: Yes. The response was good, but sports shoe comprises of about 2% to 3% of the overall distribution business, so the impact on the margin going forward as we increase the sports shoe production and there would be an impact on the margin, but that would take some time as least not financial year.

Jignesh Makwana: If we are introducing high priced footwear in the distribution specifically, in value terms our ASP will our margins will also improve, so my question was more pertained to that?

Ishani Ray: The distribution business has a particular portfolio. It cannot be that I suddenly decide to sell lesser Hawaii product and more of sport shoe. so distribution is a segment where Hawaii segment is traditionally the highest selling segment after that would come PU then sport shoe and PVC, so that composition of the sales mix would always continue.

Indrajit Chaudhuri: If you see the distribution EBITDA margin in the Q1, the distribution gross margin fell by 3% and EBITDA margin also fell by 3%, but in the half year, the gross margin fell by around 4.5%, but the EBITDA to 3%, so below gross margin level, we are trying to improve the EBIT.

Jignesh Makwana: Lastly what kind of gross margin we are making in the institutional business?

Indrajit Chaudhuri: we are making around 12% to 15% gross margin.

Jignesh Makwana: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Mehul Desai from Khadim India Limited. Please go ahead.

Mehul Desai: I just wanted to know more about this retail segment growth of 7%, can you tell me what was growth in COCO and franchise?

Indrajit Chaudhuri: COCO growth is around 5% and franchise is around 10%. This is because in the COCOs, Puja sales took place in September 2017, while this year in October. The franchise dealing is completed by Q2, so franchise growth is at the 10% level, but after October, the COCO will be at 6%to 8% level compared to year-on-year basis.

Mehul Desai: Understood and this price hike, which you mentioned that competitor has taken in November how much would that be?

Indrajit Chaudhuri: The price hike would be around 2% to 3% in the Hawaii segment

Mehul Desai: We have also taken this price hike?

Ishani Ray: We have to do it and check with product specifics, which sort of product they have taken the price hike, so similar products we will also take a price hike.

Mehul Desai: Have we taken any price hike in this retail segment?

Ishani Ray: Every six months wherever there is an increase in price we pass it on.

Mehul Desai: Can you explain how has the response beein South?

Indrajit Chaudhuri: Response in South has been similar to that seen in East, but we have seen good growth in West market where the growth is around 12% to 13%.

Mehul Desai: This institutional business sales, which you said Rs.38 Crores, so for first half the institutional business sales would be the around Rs.38 Crores right?

Indrajit Chaudhuri: First half we think around Rs.43 Crores.

Mehul Desai: Are we are expecting any big ones in second half too?

Indrajit Chaudhuri: There are some tenders floated, but there is no order booked as such. We are participating in the tenders.

Mehul Desai: Lastly, a clarification on this footfall drop, which you mentioned is 25% to 30%, is it first of this year versus first half of last year or Q2 versus Q3?

Indrajit Chaudhuri: It is first half this year compared to first half last year.

Mehul Desai: Understood. That is all from my side.

Moderator: Thank you. We will move on to the next question that is from the line of Pratim Roy from Stewart & Mackertich. Please go ahead.

Pratim Roy: Thanks for the opportunity again. I just have two questions, one is what is the SSG growth in this quarter and the next store addition, COCO and FOFO both?

Indrajit Chaudhuri: There is a degrowth in SSG.

Pratim Roy: How much?

Indrajit Chaudhuri: 2%.

Indrajit Chaudhuri: We have added 11 stores COCO stores and 30 franchises.

Pratim Roy: Thank you.

Moderator: Thank you. The next question is from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.

Pragya Vishwakarma: Thanks in the Q1 correct if I am wrong, but we did some Rs.5.5 Crores of ad spend right?

Indrajit Chaudhuri: Yes.

Pragya Vishwakarma: What was the same number for this quarter?

Indrajit Chaudhuri: It is around Rs.9.9 Crores.

Pragya Vishwakarma: I think our guidance was around Rs.12 Crores to Rs.13 Crores for the full year for FY2019, so we are already overshooting it, so can you give guidance if we have reinstated on the add spend side?

Indrajit Chaudhuri: This includes the VM cost also.

Ishani Ray: Actually the overall guidance for advertisement and ATL and BTL was I think about Rs.15 Crores or Rs.16 Crores.

Indrajit Chaudhuri: last year total advertising, marketing and sales portion expense in the first half was Rs.9.9 Crores, which is around Rs.17 Crores this year. We have opened around 30 more EBO outlets where we incurred marketing and promotional expenses. also the expense that is relating to Chennai property, which is around 1.5 Crores.

Ishani Ray: We have not overshot the budget, but bulk of the budget has already been expensed.

Pragya Vishwakarma: What is the guidance for the full year?

Indrajit Chaudhuri: the balance budget will be utilized, so around Rs.4 Crores of advertising budget is there for the second half.

Pragya Vishwakarma: Coming back to the growth numbers, considering 25% to 30% fall in your footfalls, Did we analyze after Q1 what is going wrong in the retail?

Indrajit Chaudhuri: Post Q1, we have made the advertisement expense. Before making the advertisement expenses, we could not analyse. Hence it will be done now.

Ishani Ray: Typically footfall increases during the festive season. In our earning call after the Q1 result, we said that there is transition in the market, the retail market is down. After doing whatever advertisement, we could do as far our advertisement budget permitted and after putting in the new festive season products, the expectation was that the festive season would look bright, but unfortunately that did not happen.

Pragya Vishwakarma: Thank you. That is it from me.

Moderator: Thank you. The next question is from the line of Falguni Dutta from Jet Age Securities. Please go ahead.

Falguni Dutta: Good evening Madam. Can you just help me understand how is the overall demand that you see in this Q2 in the market in terms whether there is still sluggishness not just for us, but across? I mean the fact that you mentioned that there is decline.

Ishani Ray: Frankly speaking, I will not be able to comment on the sluggishness because though we have seen a sluggishness, the numbers that have come out from all the listed players, they have posted a very robust topline growth.. If you just compare the topline per se then even we have about 19% to 20% topline growth, but the product mix is different. For us, the retail looks sluggish, but unless I really have a breakup of what is the topline growth of all the major retailers, I cannot comment, but looking at their topline growth does not speak that the retails sentiment is sluggish, so I would not be in a position to comment.

Falguni Dutta: Thank you. That is all from my side.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Ms Mehul Desai for his closing comments.

Mehul Desai: Thanks Liz. On behalf of IDFC Securities, I would like to thank Khadim India Management for giving us the opportunity to the host call as well as answer the questions of the participants. I would handover to Ishani Madam for her closing comments.

Ishani Ray: Thank you all of you for patiently hearing us out and we hope to reconnect after Q3 again. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of IDFC Securities that concludes today's conference. Thank you for joining us. You may now disconnect your lines.