

SWEET DREAMS

June 5, 2025

To,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra East, Mumbai-400051

Symbol: SDREAMS

Subject: Submission of Transcripts of Earnings conference call held on Friday, 30th May, 2025 at 03:30 P.M.

Dear Sir/ Madam,

Pursuant to Regulation 30 of Securities Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Company is hereby submitting transcripts of Earnings Conference call held on Friday, 30th May, 2025 at 03:30 P.M. to discuss the H2FY25 & FY25 earnings with Investors and Analysts.

Submitted for your kind information and necessary records.

Kindly take the same on your records.

Thanking You,

Yours Faithfully,

For S D RETAIL LIMITED

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POOJABEN

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SHAH POOJABEN
Date: 2025.06.05
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POOJABEN SHAH

Company Secretary & Compliance Officer
Membership No. A73158

S D RETAIL LIMITED

(Formerly known as S D Retail Private Limited)

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CIN NO: L52520GJ2004PLC056076

SWEET DREAMS

**“S D Retail Limited H2 FY25 & FY25 Earnings Conference
Call”**

May 30, 2025

SWEET DREAMS



MANAGEMENT: **MR. HITESH RUPARELIA – CHAIRMAN AND MANAGING
DIRECTOR, S D RETAIL LIMITED**
 **MR. UTPAL RUPARELIA – WHOLE-TIME DIRECTOR,
S D RETAIL LIMITED**
 **MR. RITESH SARAOGI – CHIEF FINANCIAL OFFICER,
S D RETAIL LIMITED**

MODERATOR: **MS. CHANDNI CHANDE – KIRIN ADVISORS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the S D Retail Limited H2-FY'25 and FY '25 Earnings Conference call hosted by Kirin Advisors Private Limited.

As a reminder, all participants' lines will be in 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 Ms. Chandni from Kirin Advisors Private Limited. Thank you, and over to you, ma'am.

Chandni Chande: Thank you. On behalf of Kirin Advisors, I welcome you all to the Conference Call of S D Retail Limited. From Management Team, we have Mr. Hitesh Ruparelia – Chairman and Managing Director; Mr. Utpal – Whole-Time Director; Mr. Ritesh – Chief Financial Officer.

I now hand over the call to Mr. Hitesh Ruparelia. Over to you.

Hitesh Ruparelia: Good evening and a warm welcome to everyone joining us on this call. I am pleased to present the financial and strategic performance update for the second half and full year ended March 31, 2025, for S D Retail Limited.

At the outset, I would like to extend our sincere gratitude for your continued support and trust. FY25 was a pivotal year for S D Retail, as we deepened our presence in the Indian sleepwear market and made significant strides in building a consumer-centric, brand-led business by growth of our EBO channel. From a legacy of three decades in the apparel trade, we have now emerged as a multi-channel sleepwear brand offering premium products for men, women, and kids aged 6 to 16.

Our core proposition—of enabling comfort and fashionability during the 70+ hours of weekly downtime—is finding growing resonance across Indian households. This is driven by our disciplined focus on product design, fit consistency, and retail visibility. From our design studio in Ahmedabad to long-standing manufacturing partnerships, our end-to-end value chain continues to deliver on quality, comfort, and brand-led differentiation.

Now, I will take you through the operational highlights.

As of 31st March 2025, we operate 51 Exclusive Brand Outlets (EBOs), up significantly from H1 FY25. Our EBO revenue has grown by 95% during the year and 75% during the second half of the year. Our EBO Revenue for the year stood at 22.04 Crore in FY 25 as against 11.27

Crore in FY 24. This scale-up reflects the successful execution of our premium markets expansion strategy across both COCO and COFO formats.

Our total EBO retail area now exceeds 22,900 square feet, comprising 36 stores in malls, 10 on high streets, and 5 in airports. These stores are delivering robust productivity, with annual sales per square foot of ₹15,998 and gross margins exceeding 60%. Our pan-India footprint also includes over 2,500 Multi-Brand Outlets (MBOs) and nearly 70 points in Large Format Stores (LFS) and Regional Chains.

We have made substantial investment for Growth of our E-commerce website and As a result we have delivered revenue of 2.83 crore as against 1.99 crore in FY 24 resulting into 40% Growth.

Let me now take you through financial performance.

For FY 2024-25, revenue stood at ₹ 173.04 crore, growing 6.45% year-on-year. EBITDA stood at ₹ 14.30 crore, with an EBITDA margin of 8.26% compared to ₹ 13.65 crore in FY24. We recorded a Profit After Tax of ₹ 8.56 crore as compared to Profit After Tax of ₹ 7.69 crore for last financial year.

For H2 FY25, we reported revenue from operations of ₹ 101.36 crore, representing de-growth of 4.34% largely resulted from closure of non-performing LFS counters and de-growth in Online channel mainly on account of non-performance of winter merchandize due to late arrival of Winter, which lasted for short period. EBITDA stood at ₹ 11.87 crore, translating into an EBITDA margin of 11.71%. Profit After Tax stood at ₹ 9.09 crore, with PAT margin of 8.96% as against PAT margin of 10.19% for FY 24 largely due to investment in manpower for future growth and increase in other overhead cost.

From a channel perspective, our EBOs delivered the highest growth, contributing 12.74% of total revenue—up from 6.94% last year—driven by footprint expansion and healthy double-digit Same-Store Sales Growth (“SSSG”).

Now, I will talk about strategic direction:

Our growth roadmap remains anchored in the 3W Framework—Wear-Time, Wardrobe Share, and Wallet Share. Despite occupying nearly half the week's hours, sleepwear accounts for just a single digit of wardrobe volume and an even lower for apparel spends. We see this as a structural opportunity and are focused on converting dated sleepwear habits into style-led, comfort-driven adoption across consumer segments.

Our product architecture spans mood-based collections with increasing relevance across gifting, travel, and family enjoyment occasions. We are also seeing strong momentum in North and West India, which currently contribute ~80% of our revenue base. Our brand's emotional and functional appeal—whether for pyjama parties, lounging, or self-care rituals—continues to deepen across age and life stages.

As we look ahead to FY26, we remain confident in the structural growth of the sleepwear category. The lines between sleep, lounge, and leisurewear are increasingly blurring—and S D Retail is well-positioned to lead this transformation. With a growing EBO network, increasing D2C traction, and ongoing investments in product innovation and customer experience, we are poised for long-term, profitable growth.

Now, I open the forum for further questions-and-answers. Thank you all

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: Hello, sir. Sir, first of all, congratulations on opening 51 EBO stores and on the education that you have just mentioned. Sir my question is with regards to EBO growth. You mentioned a number of Rs. 22 crores, I am not sure if I got that, Was that for H2 or for the full year?

Hitesh Ruparelia: That's for full year.

Manan Poladia: That's the full year, right? And sir going forward, would you say we have a specific target in mind for the EBO mix as a share of our sales? And secondly, my another question is, my understanding is that the improvement in the gross margin that we have seen this year comes from the higher share of the EBO mix. But the other expenses have also gone up proportionately and on the EBITDA margin front, we see a year-on-year decline. I am also assuming that it's some upfront investment. So if you could just give some clarity on that, that would be great.

Hitesh Ruparelia: Thank you, Manan bhai, for your questions related to EBO. So as of 31 March, we opened 51 EBOs. We continue to open three to four EBOs a month. At this speed, we will continue to grow during the year. In terms of share of EBO, as I rightly mentioned from 6%, we have gone across 12% as revenue contribution as of 31 March 2025. Going forward, we would continue to increase the share with almost 6% year-on-year. That's the outlook that we have. In terms of an increase in gross margin, there is an increase of almost 4.58 basis point. And the other expense is whenever we open a store, there are certain operational expenses and marketing activities that we need to conduct, which is also taking some amount of money at the front-

end. We have also invested into manpower for future growth. So these investments are also debited to P&L, but the rewards will be coming in times to follow.

Manan Poladia: Right sir. Thank you for answering that question. Just one follow-up on the EBO thing. I am not sure if you are tracking this metric, but what is our average breakeven on the operational expenses and the average breakeven on the capital expenses on all our EBO stores right now?

Hitesh Ruparelia: So, in terms of the P&L breakeven for an EBO, we almost achieve it for 70% of our EBO from the first month itself. In terms of capital recovery, the current mix of COCO COFO and FOFO is delivering about 1.5 years of payback.

Manan Poladia: Right, sir. Understood. That's all I wanted to ask. Thank you, sir.

Hitesh Ruparelia: Thank you, Mr. Manan.

Moderator: Thank you. The next question is on the line of Yash Poddar from Ventures. Please go ahead.

Yash Poddar: Hi. So, good to see the numbers and glad to see this call happening. I have two questions. One is slightly broader, the other is specific. Looking ahead over the next five years, how do you envision the company's evolution from a brand and strategic perspective? Considering the current trajectory across EBO, MBO, and D2C sales, what is your vision for the sales profile and the key segments we operate in? How do you see the company shaping its market presence and positioning in this timeframe?

Hitesh Ruparelia: Okay. Thank you, Mr. Yash. This is a very interesting question. See, sleepwear as a category is a new category for consumers and this becoming a mainstream category is the responsibility of SWEET DREAMS because we are leading the category at this point of time. For making this dream come true, say over next five years, we would ideally expect our EBOs to contribute about 50% of our revenue and rest of the channels would contribute balance 50%.

Yash Poddar: Yes. So I understood the breakup part between the sales. But from a five-year perspective, how do you envision the brand's growth across key parameters, including geographical expansion and overall presence? Are there specific targets or milestones you aim to achieve within this timeframe? And could you share any insights into the strategic direction and the numbers you aspire to reach?

Hitesh Ruparelia: Okay. So SWEET DREAMS already is a pan-India brand. We have about over 2500 MBOs selling our products in all the zones of the country. Presently, our EBO is heavily skewed towards North and West. We have opened almost about 10 EBOs in the South. So, the next territory where we are going to grow our EBOs simultaneously with North and West is going

to be South. And in terms of the work that we have to do at consumer level, see sleepwear is a very habit-forming product. So once we have a consumer having a good sleepwear, they get into habit of using it again and again. So, our effort is not only to sell sleepwear to a consumer but also to get them into a habit of creating a sleep wardrobe within their wardrobe. And since as a brand, we are addressing this segment of 8 PM to 8 AM in terms of various moods of consumers.

We want them to stop their night suits based on emotions and moods and create a sleep wardrobe itself. The biggest mood we address currently is rest. The next mood is I want to have fun. I want to socialize with my family. I want to spend time with my friends. I want to be presentable in fashionable sleepwear and still be comfortable. That's the second mood. Third mood is being sensuous. So every adult wants to indulge with the partner. And the fourth being travel. Travel is an inherent part of a modern lifestyle, and we want to comfortably travel and still be presentable. So these are the four emotions and moods that the core brand is addressing, and we are reflecting these moods through our EBOs.

Yash Poddar: Right. Understood. Given our expansion into non-sleepwear categories—such as travel and leisure—what was the rationale behind allocating capital to these segments, especially considering our focus on penetrating and establishing leadership in sleepwear? My assumption is that as we venture into these newer areas, capital allocation would naturally shift towards them, even as the nightwear segment continues to grow. I'd love to understand how you're approaching this balance in strategic investment.

Hitesh Ruparelia: So our larger umbrella still continues to be sleep. And as a habit, whenever we travel, we catch up our sleep and we want to be in comfortable clothing and we want to be presentable, right? So that's the core idea of the brand and the clothing that we create for travel is primarily keeping in mind the comfort and of course the fashionability that I am not ashamed of wearing it outside/ So the core philosophy of design and product continues to be comfortable and fashionable.

Yash Poddar: Got it. Thanks so much for answering the questions.

Moderator: Thank you. The next question is from the line of Ankur Gulati from Genuity Capital. Please go ahead.

Ankur Gulati: Sir, you have commented that we have some revenue loss in LFS Channel. Can you quantify that?

Hitesh Ruparelia: Okay. So for LFS, we have closed around 15 counters in H2 and the revenue loss which has come in the entire year is about Rs. 5 crores of sales.

- Ankur Gulati:** Okay. And are we replacing them with new counters or is that a permanent?
- Hitesh Ruparelia:** We are not adding LFS counters unless we find a good proposition. Further, margins on LFS counters are very thick and these are SOR businesses. So, in fact, if you see historically, we were at Rs. 60 crores of business annually in terms of LFS and we have turned away with almost 75% of that business because that is not helping the bottom line at any at any point of time and the investment cycle goes up substantially. So, we are replacing all non-profitable or less profitable or high inventory cycle or high investment cycle businesses with a high gross margin business of EBO.
- Ankur Gulati:** So, these Rs. 5 crores revenue loss, was there EBITDA loss or a gross margin loss on these counters?
- Hitesh Ruparelia:** So, there was not much EBITDA loss but, there was definitely a gross margin loss.
- Ankur Gulati:** And directionally, will that improve gross margins by certain basis points in financial year '26 or is it too early to comment for ?
- Hitesh Ruparelia:** Yes. So, we have increased our gross margin by 458 basis points this year. That is a substantial upswing in gross margin and we will still continue to be northwards as our EBO keeps on increasing.
- Ankur Gulati:** Okay, perfect. For MBO segment, any views? We did roughly Rs. 107 crores.
- Hitesh Ruparelia:** So, in MBO channel, we have grown from Rs. 102 crores to Rs. 107 crores. So, there is no plan of reducing but yes, every season we correct the tale. We try and stop business with counters which are not adding too much value to our bottom line and we generate new business which are more profitable. But generally, it looks like it will remain steady and it will grow with single digit growth, which is reflected currently also.
- Ankur Gulati:** That's fine. Sir, on MBO side, how is inventory and payment cycle moving for MBO broader distributors?
- Hitesh Ruparelia:** MBO is a multi-layer business, and the investment cycle is always high. The investment cycle if you see in our case also continues to be high. Part of it is due to the structure of the business and part of it is because 60% plus revenue of the company comes from MBO. Structural problem is that we operate two seasons, summer and winter. Out of that, Q4, which is Jan, Feb, March, 40% plus revenue is generated in these three months and most of it gets transferred to collectibles at the end of the year. So our debtor cycle looks bloated but on an average, our investment cycle is not so bad as it reflects on 31 March.

- Ankur Gulati:** Okay. Now moving to the third segment, sir. Online, any strategic views, insights for this financial year?
- Hitesh Ruparelia:** So, E-comm, that is our own website, we are aggressively pushing, and we would like to grow at almost triple digit or very high double-digit for our own website. In terms of marketplace, there are some problems that we have observed in the last year. The growth has stopped. The players, the operators are becoming more profit conscious. So the earlier mad rush of discounts and those things are getting blurred, and this channel has almost matured. So for this channel to grow from here looks like it will be a single digit growth.
- Ankur Gulati:** Okay. And in online channel, what percentage of Rs. 22 crores came from your own website?
- Hitesh Ruparelia:** So from our own website as I said Rs. 2.83 crores which translate into about 12%-13% of the total online business.
- Ankur Gulati:** And sir, are we on quick commerce app?
- Hitesh Ruparelia:** We have experimented quick commerce, but the initial success does not look very promising because we are a fashion brand.
- Ankur Gulati:** Got it. And sir, on coming back to EBOs, given these 51 stores, if I may ask, what is the annual run rate only from these 51 stores assuming no other store is added?
- Hitesh Ruparelia:** Average, we do about Rs. 80-85 lakh per annum per store.
- Ankur Gulati:** Okay. So 50 alone will take us to 40 in this financial year?
- Hitesh Ruparelia:** Yes, between 38 to 40.
- Ankur Gulati:** Okay. And one question, just on data analytics. Any further thoughts on data analytics, monetizing or using the data of all the customers that you have? I mean any strategy for pushing your own app?
- Hitesh Ruparelia:** So we are in the process of finalizing the CRM which will be implemented during the current financial year. And we are also working on the omni-channel piece, linking some of our stores to the marketplace as well as our e-commerce website. So all those technological advancements are under process, experimentation stage and pilot stage.
- Ankur Gulati:** Great. Sir, one last thing. Based on whatever we discussed, EBOs will be close to 30% of revenue in FY '26?

- Hitesh Ruparelia:** No, no, I have never said that.
- Ankur Gulati:** No sorry, I am back calculating sir, at my end.
- Hitesh Ruparelia:** Yes. So as of now 12% is there. And probably it would grow by another 6%-7% in terms of overall revenue this financial year.
- Ankur Gulati:** And will this start showing up some sort of a further gross margin improvement or not yet?
- Hitesh Ruparelia:** Definitely. But what happens is Ankur ji that these are initial years of EBO journey. So we have continuously kept on investing on technologies, marketing, all those things will continue in terms of investments. Because we see traction in EBO, there is a natural traction and we want to give enough things to that.
- Ankur Gulati:** Definitely. Okay. Thanks a lot, sir and wish you guys the best.
- Hitesh Ruparelia:** Thank you, Ankur ji.
- Moderator:** Thank you. The next question is from the line of Dhiraj Kaswan from RRR Investments. Please go ahead.
- Dhiraj Kaswan:** Hello, Sir. So my first question would be that do you have the same store sales growth number with you?
- Hitesh Ruparelia:** Yes, I do have. Yes, I do have. It is 11.85% for the last financial year.
- Dhiraj Kaswan:** 11.85%. Okay. So as you can see that this year only the EBO sales number has grown. So is it a conscious decision to not to grow the other like MBO, LFS or those formats or is there a slump in demand or something like that?
- Hitesh Ruparelia:** So, the other channels are facing some kind of headwinds, especially profitable growth is very difficult as it looks now. So we are not pushing any growth at the cost of profits. We will be happy to increase business in other channels as long as it is not at cost of profits.
- Dhiraj Kaswan:** Okay. And sir, are we including the extra discount factor in our other expenses?
- Hitesh Ruparelia:** Yes, we are including. I was just checking with our CFO.
- Dhiraj Kaswan:** Yes, sir. So, I have been covering other companies in the apparel industry, and I have not seen this kind of reporting that there are sales and then in the other expenses you are including other extra discount in the nature of promotional schemes or maybe obsolete stock or all of these

things. This approach may impact margins, making them appear lower. Since you are giving discounts then shouldn't we record the revenue net of discount ?.

Hitesh Ruparelia:

One second, I let my CFO answer this.

Ritesh Saraogi:

Yes. So there are two things here. First is that most of this is basically an incentive given to retailers or distributors, which we are currently debiting into other expenses. So you are right, there are two theories to do it and we have reviewed it at the finalization of the results this year also. Most of the companies are currently actually adjusting it to the revenue as you have already said. But we have been actually showing it in other expenses historically also. Basically it is an incentive which we are giving to our multi-brand outlet retailers which contribute to almost 60% of our business. So that is why it is shown as other expenses.

Dhiraj Kaswan:

Okay. So, is there any plan to change this reporting standard coming next year?

Ritesh Saraogi:

So as of now we have no such plans. Probably when we are required to move to Ind-AS in future, at that time we will look into it from Ind-AS perspective.

Dhiraj Kaswan:

Okay. And we are seeing that the gross margin has lowered to 48%-49%, but there is also job work and labor charges which are in other expenses. So if we include them in COGS, then our gross will further reduce, right?

Ritesh Saraogi:

Job work and labor expenses are a part of the cost of goods sold. They are not grouped under other expenses.

Dhiraj Kaswan:

But it was there in the RHP, right?

Ritesh Saraogi:

No, no. That was manpower supply charges. That is contractual manpower expenses which are shown in manpower supply charges and not the job work related expenses.

Dhiraj Kaswan:

Okay. And sir regarding the margins, our margins in the industry are pretty low compared to other apparel brands. Like many brands are doing 15%, 20%, some are doing even 30% plus. So being an apparel house, there are so many factories that are doing job work for so many brands. Why are our margins lacking?

Ritesh Saraogi:

So, sir, first of all, see we are an SME listed company. We are following Indian GAAP and most of the companies you are referring to, they are following Ind-AS for their financial reporting. So most of them are actually showing their rental as a part of amortization or finance cost. And whichever bigger company you will see, 40%-50% of the revenue contribution is coming from EBO. In our case, our EBO contribution is 12%-13% and our rental cost is coming above EBITDA. So that is why EBITDA is very high. If you come to net

profit, that will be around 9%-10% for most of the companies. One of the reasons is the change in the upcoming standard, because basically lease rentals which they are paying, they are practically taking it to amortization and finance cost below EBITDA. And their contribution is also very high from EBO.

Dhiraj Kaswan: Okay. And sir, what is the number of current stores that we have right now at the end of May? Have you opened more stores?

Ritesh Saraogi: Currently, we have around 57 stores.

Dhiraj Kaswan: Okay. And sir, my one more question would be that we have opened a lot of COCO outlets and we are also opening COFO outlets. So if we want to make a brand, why are we not following the FED protocol and just operating in COCO stores, in COCO model?

Hitesh Ruparelia: Yes. It's a very important question, Dhiraj bhai. See, we have raised capital, right? But we don't want to deploy capital simply for the sake of deploying capital. We are very business-minded, both on profits and capital. Now, we are having good traction because of our performance of EBO, we are having good traction from franchisee partners to open the store and do investment for our stores.

Second thing is there are newer geographies where there are language problems or geographical challenges. They are having a local partner and a renowned partner who helps in the performance of the store. So, keeping these two aspects in mind, we decide whether we want to do a COCO store or a COFO store and accordingly deploy capital and resources.

Dhiraj Kaswan: Okay. Thank you all for all the answers. I just have one last question. We have seen that in H1, we are mostly having losses in this year and the prior year. So, is the trend going to continue or when will be the time that we will be able to cover all our expenses and book profit in the first half of the year?

Hitesh Ruparelia: If you see H1 of '23-'24, we were negative by Rs. 3 crores plus. In '24-'25 H1, we have reduced the loss to about Rs. 50 lakhs, and going forward, yes, the effort is that we want to be net profitable from H1 itself. As the EBO piece will increase, that problem of H1 being negative would be eliminated.

Dhiraj Kaswan: Okay. Sure, sir. Thank you so much for answering all the questions and all the best for future. Thank you.

- Moderator:** Thank you. Ladies and gentlemen, in order to ensure that management is able to address questions from all the participants in the content, please limit your question to one question per participant. Do you have a follow-up question, we request you to rejoin the queue.
- The next question is from the line of Bharat C.H., from Deva Investments. Please go ahead.
- Bharat C.H.:** Hi, Hitesh bhai. I have a couple of questions. Actually I was not able to hear the earlier participant because of some network issues. So, I would like to understand that we are saying our EBO contribution is around 12%-13% odd in FY '25, right?
- Hitesh Ruparelia:** Correct.
- Bharat C.H.:** So, which is approximately around Rs. 22 crores in absolute terms. Can we say that Around Rs. 22 crores?
- Hitesh Ruparelia:** Yes, you are right.
- Bharat C.H.:** Correct. Now what I am trying to understand is that we have been opening around two-three EBOs a month. So I think since our IPO proceeds has come, we may have opened approximately 18-20 stores.
- Hitesh Ruparelia:** Yes. We opened net 17. So we closed one and opened new 18 stores.
- Bharat C.H.:** Okay. Great. And so, so now we have done around Rs. 22 crores in FY '25 itself in EBO and you said some figure per EBO. Somebody asked average revenue per EBO.
- Hitesh Ruparelia:** Rs. 80 lakhs. So this CPU is expected to deliver Rs. 38-40 crores of revenue assuming if we don't open any EBOs.
- Bharat C.H.:** Okay, great. That's what I wanted to ask. And so without assuming any increase in the number of EBOs, we should be at least North of Rs. 35 crores on conservative side.
- Ritesh Saraogi:** Yes. North of 35 crores. You are right.
- Bharat C.H.:** Great. So that was the first thing. Secondly, these other expenses include the discount as you say. So can you provide break-up of these other expenses of around Rs. 58 crores for FY'25. So out of Rs. 58 crores, how much is the discount given and how much is the lease-rental ?
- Ritesh Saraogi:** Yes. I can. So out of these Rs. 58 Crore, around Rs. 20.50 crore is from extra discount. And around Rs. 4 crores is from a cash discount. And lease rental is around Rs. 5.78 crores.

- Bharat C.H.:** Rs. 5.78 crores. Okay and this number will keep on proportionately going up as in when the number of EBOs keep on going up?
- Ritesh Saraogi:** No. No. So basically, in the case of EBO, this is happening at net of discount value. So first, as I explained that this major amount is coming from MBO because 62% business is from MBO. But when we are giving incentive to our retailer or distributor, we are debiting to P&L account through other expenses. We continue to go up as we grow our business, but not the discount part. Especially with Ecom.
- Bharat C.H.:** Yes. Okay. Thank you.
- Moderator:** Yes. Thank you so much. Ladies and gentlemen, you are requested to ask one question. Do you have a follow-up question, we request you to rejoin the queue. The next question is from the line of Yash Poddar from Ventures Private Limited. Please go ahead.
- Yash Poddar:** Yes. Hi. I had missed a question earlier. So I just wanted to understand a bit about what are the kind of channel incentives and channel benefits that we are providing to our MBOs since they are currently contributing the good share for us today? What other kind of trade that we are following and actions that we are following for this channel?
- Hitesh Ruparelia:** Yash bhai, our CFO will answer this question.
- Ritesh Saraogi:** Sure. Good afternoon, Yash bhai. So basically, when we are doing our own EBO all the revenue is booked in our account and all the rental and all other expenses are part of cost of doing business, right? When we are doing MBO, we are basically giving it to the retailer. So usually margin to distributor is around 8.25%. The cash discount varies from 3% to 5% on the amount received. And retailer margin is from 28% to 35% with an incentive of 5% to 7%, 10%. Depending upon the volume of the business that the retailer is giving. Hope that answers your question.
- Yash Poddar:** No, no. Actually just to re-clarify the question, I was not referring only to the margins and retail margins, but I was trying to figure out given that we have a working capital cycle that tends to go on the longer side. So, during those instances as a company, what kind of trade benefits and channel financing we are providing to make sure that the stock is not held up for too long and that we are able to ensure that the sale happens or the stock is sold within a certain period of time. That's what I was trying to say.
- Ritesh Saraogi:** I will explain. So basically we are into a fashion business, which is two seasonal. Summer and winter. What we do is that five months in advance, we are actually keeping our presentation where we call over 500-600 retailers and we take the orders in advance. And based on that

projection, we are giving our production quantity to our MBOs. So, most of the MBOs, the order quantity is almost known before the dispatches happen. So planning is according to them through the orders which are received in advance. That is what I am trying to explain. If your question is related to that or you are related to the inventory sector, the retail point.

Yash Poddar: No, no. I will just re-clarify it again. So, I understand the part about the demand estimation. But in situations where the stock is at the MBO level and the inventory is stuck at a volume level for a decent amount of time, are we as a company providing any benefits or any kind of on-the-shop offers or on-the-stock items which help you expedite the amount of stock sale or not?

Hitesh Ruparelia: Yes, Mr. Yash. So, like all other companies, we are running two end-of-season sales. So, whatever inventory is sold is sold. Whatever is left out at the end of the season is run by way of discounts and promotions and liquidated. And whatever is unsold after that comes back a part of it as per the agreement. Suppose if you have agreed for 4% stock correction or 10% stock correction. Whatever is the agreed terms with the retailer that comes back, less of the stock stays back with the retailer, as we give them opportunity by giving promotions, discounts.

Yash Poddar: Right. And these promotions and discounts, are they the only thing that we are providing?

Hitesh Ruparelia: Promotions, discounts, and stock price, these are the support that we provide to the retailer.

Yash Poddar: Yes. Got it. I will rejoin.

Moderator: Thank you so much. The next question is from the line of Shubham Deshwang from Conventus Capital. Please go ahead.

Shubham Deshwang: Yes. So, sir, I had some basic data questions. Sir, our pricing across our online and offline channels, are they almost similar or is there a slight difference between, the online and offline channel? EBOs and MBOs and online?

Hitesh Ruparelia: So, generally they are not. But what happens is all the channels run their discounts and promotions at different point of time, like Shoppers Stop is going on discount on 1 of June, Pantaloons is going on discount on 14 of June, Myntra is going on discount from today. So all these channels have their specific timing. So, we have to participate with their timings, and for that period of time the prices may vary, but otherwise, the product cost is same across the channels.

- Shubham Deshwang:** Right sir. Right sir. Because what I have understood is sir, we have to become an offline first brand. I have observed that usually when the online and the offline prices are way too different, the offline could fall off, because they just come and browse through the store, but they end up buying online. So, it's my understanding right sir, we want to be an offline first brand, and maybe using online as just an advertisement and a tool?
- Hitesh Ruparelia:** I wouldn't say that, we want to be. No brand can now categorize themselves as online or offline, that was last 10 years, right? Next 10 years is only channel, every brand will have to be available at every meaningful brand, and especially the category leader will have to be available facilitated through technology, availability at each and every customer touch point, be it online, offline, MBO, shop-in-shop, department store, whatever it is.
- Shubham Deshwang:** Omni-channel basically. Right sir? And that is what our aim is.
- Hitesh Ruparelia:** That's right.
- Shubham Deshwang:** Yes, sir. So one final question and then I will be back in the queue. Sir, so, I will actually ask a two-part question, sir. So the first thing is that, do we keep a check on the marketing expenses on various channels. So for example, I think we have been a MBO forward company for a long time, and we might be tracking how much we might be spending on marketing, but now since we are scaling up EBO and online, do we keep track of marketing spends? And linked to that question itself, do we also keep track of the CM2 and gross margins across channels? And if yes, can you give us a break-up of how the EBO, MBOs and online channels, how the gross margins vary and the CM2, I understand sir some of the things due to competitive reasons you might not be able to say, but whatever--?
- Hitesh Ruparelia:** Shubham, you are asking all the secrets of business, but I will divulge whatever is best I can.
- Shubham Deshwang:** Yes, sir. Absolutely.
- Hitesh Ruparelia:** Yes, we do have budgets channel-wise for marketing, and we monitor them channel-wise. Yes, we do monitor CM2, CM3 for each and every channel, and in terms of gross margins, they are best in EBO as well as our own website. So our own website and EBOs are the highest gross margin channels, and you see that we have grown by 95% in EBO last year and 40% in our own website. These are two very high margin businesses.
- Shubham Deshwang:** Okay, sir. Okay, sir. D2C and the EBO are the highest gross margin, right, sir? And just a question on the discount process. So whatever inventory is discounted, do we keep track of how much percentage we are selling on discount? Not the ones where we are giving discounts

due to promotional activities, but the ones which are off-season or something. Do we keep a percentage of inventory or sales that go up on a discounted basis?

Hitesh Ruparelia: So any inventory that you take after aging, either it is liquidated by discount to the customer or if it is not liquidated, it is marked down at our end, at the end of the season.

Shubham Deshwang: Right, sir. Any percentage of that FY '25 ?

Hitesh Ruparelia: Okay. So I have just checked with our CFO, 12.5% of inventory is what goes for discount and markdowns.

Shubham Deshwang: Okay, sir. I will join back in the queue. Thank you, sir.

Moderator: Thank you. The last question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Yes. Thank you for the opportunity. I wanted to know your average sale price, not the billing value, the sale price per pajama.

Hitesh Ruparelia: Okay. So this average sale price I will have to give you channel-wise because there are some channels where we are ourselves a retailer, and there are some channels where we sell through MBOs. So our MBOs average price would be around 1,000 bucks or 1,100 bucks and for our own retail it will be around Rs. 1,800.

Tushar Sarda: Okay. Because I saw your store at Bombay Airport, Terminal 1, I think. And there the pricing was upwards of Rs. 3,000.

Hitesh Ruparelia: Yes. So I am talking about every pricing. One can also find products of Rs. 1,049, Rs. 1,299, Rs. 1,499 at the same airport. But I can understand because what happens is maybe you are a fashion-conscious customer, and your eyes would be on all expensive items. I can understand.

Tushar Sarda: Not necessary. Since this company got listed and I saw the store, I was trying to understand what you sell.

Hitesh Ruparelia: Yes. So did you like the products?

Tushar Sarda: Yes. They are fantastic. Fabulous products. No doubt about that.

Hitesh Ruparelia: Thank you so much.

Tushar Sarda: Yes. So and on our EBO, how much is owned by you and how much is franchised?

- Hitesh Ruparelia:** So, we have 17 COCO stores as of 31 March 2025, 28 COFO stores and 6 FOFO stores.
- Tushar Sarda:** So even the franchised stores you run yourself?
- Hitesh Ruparelia:** Yes. All stores are run by our team.
- Tushar Sarda:** And how much rental do you pay? Because I heard the CFO said something of Rs. 5.5 crores.
- Hitesh Ruparelia:** That's right.
- Tushar Sarda:** And if your sales is Rs. 22 crores, then the rental comes to what 20% kind of thing.
- Hitesh Ruparelia:** Yes. It's about, it's upwards of 20% at this point of time, because what happens is we also operate airports. Now, airport's percentage is minimum 32%-33%, right? So, we operate five airports, about 10 high streets and 36 malls. So, the average rental outflow is around 20%-22% for us. Average discounting that we do is around 12%-13% annualized.
- Tushar Sarda:** Okay and which listed company are you trying to model yourself on? I mean, I am sure it's not a variable. But there are different models followed by say, for example, Go Colors or Jockey or Kewal Kiran kind of. So where do you think you are closer to which kind of a model?
- Hitesh Ruparelia:** So, we are a 448 average square feet size retail store. And the closest would be Go Colors for us in terms of size. In terms of the margins and aspirations, we would certainly like, we are benchmarking Go Colors, quite a lot of territories and places, we are meeting them on sales for sales per square feet. But they are definitely a much larger chain. But we are tracking them very closely in terms of performance. And we also track other women's brands like W, BIBA, Aurelia, we measure our performance by way of sales per square feet and in different regions we have different competitors, and we continue to measure and monitor all of them. But yes, Go Colors is a fantastic company in terms of operations, in terms of the merchandise, in terms of sales, I think they have a lot of pluses, they have got great experience, and we sincerely respect them completely.
- Moderator:** That was the last question for today. I now hand the conference over to Ms. Chandni for the closing comments. Over to you, ma'am.
- Chandni Chande:** Thank you, everyone for joining the conference call of S D Retail Limited. If you have any queries, you can write to us at research @kirinadvisors.com. Once again, thank you for joining the conference. Thank you, sir.
- Hitesh Ruparelia:** Thank you, everybody.

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