

Karnika Industries Limited

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To,
The Manager,
National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051

NSE Symbol: KARNIKA
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Subject: Submission of Transcript of the Earnings Conference call held on Tuesday, October 13, 2026 at 04:00 P.M.

Ref: Regulation 30(6) read with Schedule III Part A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

Dear Sir/Madam,

With reference to our intimation dated October 07, 2026 related to the Earnings Conference call, the Company is submitting the transcripts of Earnings Conference call of the analyst/investor conference call which was held on Tuesday, October 13, 2026 at 04:00 P.M to discuss the Unaudited Financial Results of the Company for the Quarter and Half Year ended 30th September 2026.

Submitted for your kind information and necessary records.

Kindly take the same on your record.

Yours Faithfully,

For Karnika Industries Limited

NIRANJAN
MUNDHRA
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NIRANJAN
MUNDHRA
Date: 2026.10.16
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Niranjan Mundha
Managing Director
DIN: 05254448



**“Karnika Industries Limited
Q2 & H1 FY27 Earnings Conference Call”
October 13, 2026**



**MANAGEMENT: MR. NIRANJAN MUNDHRA – MANAGING DIRECTOR
– KARNIKA INDUSTRIES LIMITED
MR. KRISHAN KARNANI – CHIEF FINANCIAL
OFFICER – KARNIKA INDUSTRIES LIMITED**

MODERATOR: MS. MEHAL GOGIA – GO INDIA ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to Karnika Industries Limited Q2 and H1 FY27 Earnings Conference Call, hosted by Go India Advisors. 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 star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Mehal Gogia from Go India Advisors. Thank you, and over to you, Mehal.

Mehal Gogia: Thank you. Good afternoon, everyone. It's my pleasure to welcome you on behalf of Karnika Industries Limited. Thank you for joining us today for the Q2 and H1 FY27 earnings conference call. This call is being hosted by Go India Advisors. Please note that today's discussion may include certain forward-looking statements. Therefore, they must be viewed in conjunction with the risks that the company faces. Today on the call, we are joined by Mr. Niranjana Mundhra, Managing Director; and Mr. Krishan Karnani, Chief Financial Officer.

I now invite Mr. Mundhra to present the company's business outlook and performance, after which we will open the floor for Q&A. Thank you, and over to you, sir.

Niranjana Mundhra: Thank you. Good evening, everyone, and a warm welcome to our shareholders, investors, analysts, and well-wishers. On behalf of Karnika Industries Limited, thank you for joining us for our Q2 and H1 FY27 earnings conference call.

We are delighted to share a proud milestone in our journey with the company eligible for migration to the main board effective 13th October 2026, subject to completion of the applicable regulatory and procedural requirements. We sincerely thank our investors and well-wishers for their continued trust, confidence, and support.

This milestone is particularly special as Q2 FY27 also marked our highest-ever quarterly revenue, EBITDA, and PAT, while H1 FY27 recorded our highest-ever half-year revenue, EBITDA, and PAT, reflecting the scale of our business and the progress we are making towards our long-term growth objectives.

Over the past 15 years, Karnika has evolved from a sourcing and supply-led business into an integrated kidswear platform spanning sourcing, manufacturing, brands, exports, institutional supplies, and distribution. Today, we serve children in the 0 to 14 age group with a presence across 28 states, 500-plus distribution partners, 2,500-plus customers, and 500-plus SKUs.

India's kidswear market presents a significant opportunity. Despite rising disposable incomes, growing brand awareness, and the shift towards organized retail and digital commerce, the market remains highly fragmented. We believe this creates headroom for organized players with strong sourcing, manufacturing, and distribution capabilities.

Our strategy is to leverage these strengths to build a scaled, integrated, and consumer-focused kidswear platform. Historically, our business has been predominantly B2B, providing scale through sourcing, manufacturing, institutional supplies, and distribution. We are now

complementing this foundation with a stronger B2C presence. B2B provides scale and distribution reach, while B2C creates opportunities to strengthen consumer connect, build brand visibility, and diversify our routes to market.

Our established supply chain provides a foundation for this expansion. Kidcity is an important part of this strategy, bringing consumer-connect retail and omnichannel capabilities that complement Karnika's strengths in sourcing, manufacturing, and distribution. Our objective is to combine these capabilities to expand market access and build a stronger presence across the kidswear value chain.

We are progressing through shop-in-shop counters, kiosks, and digital channels. During H1 FY27, we had 85-plus shop-in-shop counters across our network. We currently operate one kiosk and are targeting 55-plus kiosks at airports and premium high-street locations.

Alongside this, we are deepening distribution in Tier 2 and Tier 3 markets. These initiatives are aimed at widening consumer access, strengthening distribution, and creating additional growth channels while ensuring that expansion is supported by disciplined execution.

Our customer relationships remain an important foundation for growth. During H1 FY27, we saw healthy orders from customers and retail chains, including Style Baazar, FirstCry, Srijan and Hopscotch. Going forward, we will focus on deepening existing relationships, broadening our customer base, and strengthening our product offering to address evolving market demand.

As we scale the quality of growth, cash conversation, and balance sheet, discipline remain as important as revenue growth. Working capital days improved to 143 days in H1 FY27 from 178 days in FY26, while our debt-to-equity ratio stands at 0.6x.

We will continue to focus on inventory and receivables management, operating efficiencies, and prudent capital allocation to ensure that business expansion translates into sustainable earnings without placing undue pressure on the balance sheet.

Looking ahead, management has guided towards 30% to 35% CAGR in revenue and profit before tax through FY28, while maintaining an EBITDA margin range of 17% to 20%, delivering on these objectives will require us to scale our core B2B business, develop the B2C platform, expand distribution, and strengthen consumer connect while maintaining cost discipline and capital efficiency.

Our focus is to build a more profitable, resilient, and financially disciplined business. We believe our established operating platform, expanding customer relationships, and evolving distribution strategy provide a foundation for the next phase of growth. Our priority will be to execute consistently, convert growth into earnings, and deploy capital responsibility.

I would like to thank our employees, customers, suppliers, distributors, channel partners, and shareholders for their continued support and confidence in Karnika Industries. With that, I will hand over to our CFO for a brief overview of our Q2 and H1 FY27 financial performance. Thank you.

Krishan Karnani: Thank you. A very warm afternoon to everyone. Karnika has delivered strong revenue and earnings growth in Q2 and H1 FY27. Q2 FY27 revenue from operations grew by 52.3% year-on-year to INR106 crores. Our EBITDA has increased 38.1% to INR20 crores, while EBITDA margin moderated to 18.8% from 20.7%, primarily due to higher yarn prices, dyeing-related chemical costs, and processing charges.

Although, we are strengthening our operational leverage, our PAT grew 51% to INR14 crores, while PAT margins remaining broadly stable at 13.4% versus 13.5% in Q2 FY26. H1 FY27 revenue increased 74.7% to INR180 crores, while EBITDA grew 68.1% to INR33 crores. EBITDA margin stood at 18.2% vis-a-vis 18.9% in H1 FY26.

Our PAT has increased 88.3% to approx INR23 crores, while PAT margins improving to 13% from 12.1%, up by 94 bps. Our focus remains on managing costs, improving operational efficiencies, and maintaining disciplined financial management to support sustainable and profitable growth.

Thank you, everyone. Now I will hand over this call to the moderator for the Q&A session. Thank you, everyone.

Moderator: Thank you so much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Our first question comes from the line of Gunit Singh with Counter Cyclical. Please go ahead.

Gunit Singh: Hi, sir. Thank you for this opportunity. I would like to understand what percentage of our sales is our own brand versus white labeling for other brands?

Krishan Karnani: Our 98% sales is on our own brand; 2% we are doing for the white labeling.

Gunit Singh: Got it. If you can help us understand the different channels through which we sell, I think it's mentioned in the PPT, B2B sales. How much of sales is through distributors? How much of sales is through MBOs? How many stores do we have of our exclusive brands, and by what brand name do we sell our clothes?

Krishan Karnani: Okay. Let me explain this. First, our parent company, which is Karnika Industries Limited, here we sell in the brand name of Karnika itself. Our primary domain in this company is B2B sales. The model of our sales is we sell to some of the buying houses, which are pretty big enough, and from there we sell our goods pan-India. Basically, our billings will be in the name of some of the big buying houses, then from there they will sell to pan-India, across India.

Our second company, which is acquired by Karnika, which we primarily acquired for retail channels, that is for consumer-based concept, so that is B2C channel in the name of Kidcity. In that channel, we have three revenue models: one is we have shop-in-shop counters, which currently have 85 numbers of outlets. From there, we sell directly to consumers.

Second is where we have business of aggregations for the retail online brands like Styli, Hopscotch. We are doing the aggregations model for them. Third one is we are doing B2B sale in the name of Ojos brand in that segment. So these are the four different models where we are

selling through in Karnika and Kidcity.

Gunit Singh:

Got it, sir. Can you give a breakdown of revenue by each model? So Karnika brand, by B2B, you mean that a brand like FirstCry buys from us and sells, stocks it in their stores? Can you just help us explain what this B2B exactly is, B2B sales?

Krishan Karnani:

B2B brand we are selling in the Karnika. We have categories from age group 0 to 14 years. There are around eight brands which are registered in our own name. Suffix, major name is Karnika and suffix is with the age group we have different names: let's say Karnika Cool, Karnika Life, Karnika Ring, Karnika Key, Karnika Cube, and so on.

Each brand depicts its size group and a price tag. These all brands we are selling via buying houses to pan-India, to wholesalers. From there, wholesalers sell to retailers or MBOs, whoever they want to sell. Our Karnika's H1 revenue is around INR140 crores, which is primarily restricted to B2B only.

If I take 98% of this revenue is in our own brand name, 2% is we are selling on white labeling to, let's say, Vishal, V-Mart, Styli, Hopscotch. These are the primary buyers to whom we are selling on white labeling. Now coming to the Kidcity model. Shop-in-shop is our major component where we are selling through our kiosk model, which are operational in Spencers, Rustees, Chennai Silks, and some of the big family shops in Bihar and Odisha regions.

Let's say if you know by Nagarmal or Chunnilal, these are some of the pretty good names in the Bihar region which have their own almost four, five, or six retail outlets where kids' counter is handled by the Kidcity. Second operational model is SIS model. Third is aggregation. In aggregation, Hopscotch buys 80% of the Kolkata goods from the Kidcity itself, so we are the sole aggregator for them for the Kolkata goods. Let's say Hopscotch comes down to Kolkata and he wants to buy any of the brand from Kolkata, they buy from us because we are the sole aggregator for them.

Similarly, we have different brands for which we are doing the aggregation work, let's say, Styli, which is the primary brand of Landmark Group, and we are now working with the Bumpzee and so and so forth. Third one is we are doing the corporate sections work in Kidcity, which is also white labeling, as well as on our own brand name, which is Ojos, and some of the white labeling works we do for FirstCry, Style Baazar, V-Mart, and Vishal. So these are the basic revenue components.

Moderator:

Thank you. Our next question comes from the line of Disha with Sapphire Capital. Please go ahead.

Disha:

Hello. Am I audible?

Krishan Karnani:

Yes, you are audible.

Disha:

A couple of questions. Firstly, sir, if you see our margins year-on-year have moderated a bit because of this raw material. Just want to get your sense on how you're seeing the raw material prices because we've seen cotton prices rise sharply. In terms of our sourcing, what is the current

situation and what sort of margins should we expect for this entire year, FY27?

Krishan Karnani: Margins will remain almost same what we are achieving in this H1 because prices of the cotton is now, I think, normalized. Whatever increase has been done on the cotton prices, they will remain stable for the next half or so forth.

Disha: Okay, so we expect the prices to remain stable?

Krishan Karnani: These are now almost stable price only. Prices have already been grown up, and we don't see any slowdown in the prices for the next quarter third or quarter four.

Disha: Okay. Sir, on this raw material prices, how much of this are we able to pass on to the consumer?

Krishan Karnani: If we see, let's say, in quarter one, we definitely took the hard hit for the increment. Next quarter two, we already passed on the whatever cost we have incurred. So quarter-on-quarter, it depends. In the next first quarter, if anything increases recently, we have to take the hard hit. In the following quarter, because prices stabilize in the pan-India market, we will forward this to the consumer.

Disha: Okay. So we expect margins to be in this 18%, 19% sort of range for this entire year?

Krishan Karnani: Right. EBITDA margins would be in between 17% to 20%.

Disha: Okay. Fair enough. We've recorded quite a good growth for the second quarter. What has been some of the drivers for this sort of growth, and what sort of overall growth are you forecasting for this year?

Krishan Karnani: There are basically two growth drivers for us: one is from the point of view of the Karnika, we have started for white labeling. Earlier we didn't go for the white labeling, now we are open for the white labeling. Some of the big corporates we are selling in the own brand name of the Karnika itself. Because when we tied up with them, we came to know that if you do white labeling with them, they simultaneously buy in your own brand name also.

For the last quarter, for us, this was a very big strategic benefit that in the puja sales, because they had gaps available in buying, we sold to them under our own brand name as well, and we have started for white labeling also. Second driver factor is our B2C channel, which is Kidcity, which is doing phenomenal. There, we are increasing our consumer base directly on the Kidcity brand. Shop-in-shop counters are increasing and the aggregations model is also picking up well.

Disha: Sir, for this overall first half, how much has been the contribution from Kidcity?

Krishan Karnani: INR140 crores is from the Karnika, INR40 crores is from Kidcity. Consolidation is around INR180 crores for H1.

Disha: And what's the overall number that we're expecting from Kidcity for this year and for the next year?

Krishan Karnani: For the current year, we are targeting, assuming in between from INR80 crores to INR100 crores,

which we are targeting, and hopefully, we want to achieve that target. And next year, we are targeting for approx INR180 crores to INR200 crores.

Disha: Okay. That's a very good growth. And what sort of margins are we making for this business?

Krishan Karnani: PAT margins would be in between 10% to 13%.

Disha: Okay. So, this is for the Kidcity. And for our own business, for the Karnika business, what sort of number are we looking at for this year?

Krishan Karnani: Karnika is also doing pretty good because 60% of the goods what we are selling via Kidcity, these are the production will be held by the Karnika only. So, Karnika's production itself will grow up. Also, the second domain we are doing for white labeling also, there will be a huge chances that we are going to improve Karnika's B2B scale also.

Disha: And sir, what sort of -- for this year, any sort of store additions are we doing? What sort of capex are we doing for this year?

Krishan Karnani: Capex in the -- from the point of view Karnika will be not much because, currently, we have already -- last year we have introduced our SEDEX-compliant unit, we have already taken up. So, from the point of view Karnika, I think we are not expecting much capex cost to be incurred. From the point of view Kidcity, Yes, definitely we are going to have some of the capex for shop-in-shop counters and for the new models which we are predicting to launch soon.

Disha: Any sort of number?

Krishan Karnani: Numbers, if we say, per store for shop-in-shop, we are getting with around INR2 lakhs to INR3 lakhs per store for shop-in-shop model for capex. And one of the new model which we are trying to bring upon by the end of this quarter or by the end of this year, we are planning to do so. For that, we definitely need some capex approx INR10 lakhs to INR15 lakhs per EBO.

Disha: Okay. That is it, sir, from my side. Thank you. I'll join back the queue.

Krishan Karnani: Okay. See you too.

Moderator: Thank you. Our next question comes from the line of Ashish Soni with MM Capital. Please go ahead.

Ashish Soni: Sir, how much capex and inventory you require for your EBO and SIS stores? Because you said INR2 lakhs to INR3 lakhs, but what about inventory, how much you carry? And who are our competitors in this space?

Krishan Karnani: Sir, first, for shop-in-shop, capex is around INR2 lakhs to INR3 lakhs per SIS model, and inventory in the store level would be around 1,000 piece, which cost around INR3 lakhs to INR5 lakhs. But we have to maintain WIP as well for the channel which we are producing.

About the new model which we are expecting for this calendar year end or maybe financial year end, Brands of Brand is a concept which we supposed to launch. In that case, we definitely

required inventory of approx INR10 lakhs to INR15 lakhs and capex would be around INR10 lakhs to INR15 lakhs.

Ashish Soni: And who are our competitors in this space, any particular names? And what price ranges do you sell for your own brand, average selling price?

Krishan Karnani: For shop-in-shop, our pricing is in between INR199 to INR499, which we are selling through our SIS model. And if I go by the core competitors in this segment, basically shop-in-shop, there is a brand which I think Miniklub is there, which are doing for shop-in-shop. But for EBOs model, there is a brand, I think the name is Doreme, but they are doing for EBOs concept. They are opening their own stores only. They are not into SIS model.

Ashish Soni: And in the initial opening commentary, you said you want to open stores in airports also. So, is that the Brand in Brands, and how -- is the capex what you told is about that?

Krishan Karnani: Right. This is the model which we are planning to set up, Brands of Brand concept, which we are planning to launch. In that category, we are going to open these stores in high-street malls or airport lobbies where we want to have some of the registered character garments sort of thing and accessories in that domain. This is one of the kind concept which India doesn't have.

Ashish Soni: But in that, will you be targeting all the metros? Because earlier in the commentary you said Tier-2, Tier-3 also. So I am trying to understand where are you positioning this and what price ranges you are thinking? You spoke about accessories also, so can you give a broad overview on this?

Krishan Karnani: For brands of brand concept, initially our target is Tier-1, Tier-2 only. For shop-in-shop, we are targeting for Tier-2, Tier-3, Tier-4 because our price band is accordingly. In shop-in-shop concept, we are doing for INR199 to INR499 MRP, and brands of brand, our MRP tag would be in between INR799 to INR1,499. Accordingly, the price band is for the Tier-1 only and Tier-2 itself. For shop-in-shop concept, our MRP tagging is from the Tier-2 or Tier-3 itself.

Ashish Soni: And you spoke about accessories also. Which sort of accessories?

Krishan Karnani: Accessories have definitely a good margin concept. And if we look at any brands of brand concept, there, along with kids' garments, if some of the accessories, let's say, bottle, purse or some of the hair bands, if we put in these kinds of branded accessories together, our margins will grow much higher.

Ashish Soni: So is it for only the brand of brands you want to sell accessories or you're already selling this in our current stores, SIS and EBOs?

Krishan Karnani: No, this will be only for brands of brand only. On SIS, we are not doing that. On SIS, we are purely on garmenting only, which is cost-efficient for MRP INR199 to INR499.

Ashish Soni: And this brand of brand, because it's a new concept, so how much will you spend on branding and marketing in next two, three years?

Krishan Karnani: The brand itself has its own client base. Today, if we take a T-shirt featuring a character like

Panda or Disney, it caters to its own branding. Secondly, what we are going to launch at airports, somewhere or the other, if I look at it, maybe our financial budget will not suit to them, that they can give me break-even at the maximum. They will not be profitable businesses for me.

My profit will come from the high-street shopping malls or online business. Once it comes into the customer's visibility that, yes, I saw this product at the airport and I am getting this in my nearby locality mall or online, our profitable segment that will be from the malls and online. Our visibility will be from the airport.

Ashish Soni: Okay. But in that, could you share the break-even, meaning can you tell how many airports you will open in? Because for that you are saying there won't be a break-even and in malls and online there will be. So what is the thought process there?

Krishan Karnani: It will be break-even only because the rental cost is very high there. If I go to cover that rental cost today, we will reach break-even there, but from there, we will get very good visibility and branding for our product. That's why we will meet from there only. This is our initial target. Maybe we might be wrong, that we might get profitability from there as well.

Because even now at the airport, there is no such outlet where you get value for money for children's garmenting, in the sense that either you will get top-notch premium brands whose price bracket would start from almost INR4,000 to INR8,000. In this bracket, no outlets are currently open there. Maybe if we sell from there as well, and we have done for that also, even if we are selling 15 piece per day from per kiosk, we are profitable at that segment.

Ashish Soni: I see. Which airports are you thinking of starting in right now? Is there any plan currently?

Krishan Karnani: In the plan, already we are in connection with three airports. We are trying to get the space. Talks are going on with GMR for Delhi Airport, with Kolkata Airport, because we are from Kolkata only and then some of the Tier-2, talks are going on for Lucknow Airport right now. We are planning for that.

Ashish Soni: And these 50 stores, will you open them in the next two years or will it take more time?

Krishan Karnani: We are planning for between financial year FY'27 and '28, we are planning to do that.

Ashish Soni: All these 50 stores? Roughly 50 in total, as you are saying?

Krishan Karnani: Yes.

Ashish Soni: Okay. And what is your plan from FY'29 onwards? Because you said 30% to 35% growth till FY'28, but what is your growth plan from FY'29 onwards?

Krishan Karnani: For Kidcity, we are targeting, aiming to reach by FY'29-'30, we internally have a revenue projection target of INR500 crores that we are carrying, that we have to do around 1,000 SIS shop-in-shop counters for SIS. By FY'29-'30, we have to do approximately 300 to 400 outlets for EBOs or these kiosk model for airport or high-street shopping malls.

Ashish Soni: Okay, sir. All the best for the future, sir. Thank you.

- Krishan Karnani:** All right, sir. Thank you so much.
- Moderator:** Thank you. Our next question comes from the line of Saransh Gupta with SVAN Investments. Please go ahead.
- Saransh Gupta:** Hi. Am I audible?
- Krishan Karnani:** Yes, audible. Please go on.
- Saransh Gupta:** Yes. Thank you for the opportunity, sir. I have a question. Sir, I just wanted to -- firstly, I wanted to understand like you highlighted that the shift from unorganized to organized kidswear is a key opportunity that lies there.
- Krishan Karnani:** Right.
- Saransh Gupta:** And what I believe is that the market is still fragmented and very price-sensitive. How do we plan to basically differentiate ourselves from the regional players or established brands that are out there in the market?
- Krishan Karnani:** First of all, established brand, if I talk about kidswear today, you will not see any very big kidswear brand as such that is working with its own in-house operations. Even if we are trying for, let's say, FirstCry or Hopscotch, they all are aggregating, they are all sourcing from the factories like us. Nobody has their own operational channel set up where they can source their own fabric, do their own designing, manufacture in their own in-house factories and then sell the goods.
- So that is the biggest edge for us, the biggest point, that at whatever costing we can launch the product, whatever efficiency we can bring in product cost, we are much above than whatever these so-called brand names in kidswear currently present. That is the biggest edge for us that we can do a very big factorisation there and set up our own brand.
- Saransh Gupta:** And, sir, our focus for Kidcity would be domestic or we are also looking for exports and setting up stores outside India?
- Krishan Karnani:** No. Currently we are presently 100% concentration on domestic itself.
- Saransh Gupta:** Okay. And, sir, usually what is the average inventory requirement for the store? Meaning when we can break even?
- Krishan Karnani:** Average, if I look at shop-in-shop, in 9 to 12 months, shop-in-shop, we are at break-even.
- Saransh Gupta:** And, sir, by the end of at least, say, '28, how many stores are we planning to set up?
- Krishan Karnani:** By end of '29-'30, as I spoke to, we are planning for shop-in-shop around 1,000 kiosk and approx 300 to 400 kiosk for airport sort of brands of brand concept.
- Saransh Gupta:** All of the stores will be based out of airport or...

- Krishan Karnani:** No, it would be -- some of the will be on the airports, majority will be in the high-street shops or high-street malls, high-end malls.
- Saransh Gupta:** And, sir, in the malls and like I believe the economics differ from the airport shops?
- Krishan Karnani:** Sorry, come again?
- Saransh Gupta:** I believe, sir, the economics for the stores in the malls are different for the stores in the airport?
- Krishan Karnani:** Yes, definitely. Today, almost rental cost is 4x to 6x plus at the airport. And second, footfall, again, what we are currently presuming is that at the mall, you already have footfall coming in, because at the mall your primary concentration is to buy the goods. The customers, the consumers coming there, somewhere or the other, they are mentally prepared that you will find goods there and you have to purchase from there.
- At the airport, your visibility is much better because somewhere or the other you spend one and a half hours, an hour of time. If anything comes in front of your eyes, you can recall from there. As I told, we will also have this live online and we will be available in all the high-end malls, so revenue will be generated from there.
- Even we are doing tech part on this, that if any customer buys from, let's say, Kolkata Airport and he wants to exchange in the Bombay any outlet, he can do that. Accordingly, we have already started building the tech for that, which I think we are supposed to close it by the month of Feb or March.
- Saransh Gupta:** Sir, just one last question. What kind of revenues are we looking at from this segment basically?
- Krishan Karnani:** Per store, per EBOs, we are targeting for INR50 lakhs per year. If we are achieving that, we will be margin of around 13% to 14%.
- Saransh Gupta:** This is across both your outlets like your...
- Krishan Karnani:** Yes. This is across our airport and malls revenue, consolidation, in console with that.
- Saransh Gupta:** Understood, sir. Thank you so much and all the best.
- Moderator:** Thank you. Our next question comes from the line of Gunit Singh with Counter Cyclical. Please go ahead.
- Gunit Singh:** Hi, sir. So, a follow-up from my previous questions. So, for our Karnika brand, what percent of sales is through B2B?
- Krishan Karnani:** Sir, our 98% sale is for B2B, our brand name, 2% is on white labeling.
- Gunit Singh:** Okay. So, can you just explain -- I don't understand what B2B exactly means. Is it that distributors buy from us and then our products are placed in the...

- Krishan Karnani:** Yes. It's pure traditional way of business. We are selling to some of the big buying houses which we call arhats or traders in here. We call them arhats or commission agents here, those are the big buying houses whose each individual turnover is approx INR500 crores to INR5,000 crores.
- Our billing is done to those respected buying houses. We are selling to them, from there they are selling to wholesaler pan-India. Let's say a local buying house here named, let's say, Jem Jem, which is pretty famous in this trade of garment.
- Our Karnika will bill to Jem Jem, then Jem Jem will bill to some of the wholesalers, let's say, from the market of Delhi, Jindal Garments. This Jem Jem will bill to Jindal Garments, then Jindal Garments will sell to their 100 square feet or 100-kilometer radius to retailers. From the retailers, and consumer will take the goods, which is pure traditional way of business. This is the core domain of Karnika which we are doing till now.
- Gunit Singh:** Got it. So, these are like local shops in the local markets?
- Krishan Karnani:** Definitely. In the local markets, wherever you are, the shops nearby that local market, we sell our goods to them, and that is our consumer base for Karnika.
- Gunit Singh:** Got it. In Kidcity, we sell under Kidcity brand name or do we sell Karnika brand also or other brands also?
- Krishan Karnani:** No. In Kidcity, we are selling in the name of Kidcity only for shop-in-shop. For B2B, we are doing in the name of OJOS.
- Gunit Singh:** Got it. So, what are the payment terms in this B2B business? And what kind of growth are we looking at this B2B segment also, or is the growth more focused towards Kidcity only?
- Krishan Karnani:** No. B2B, some of the big challenge or what we can call for this garment trade is working cycle only. Because in B2B, the payment cycle is approx 3 to 4 months, which we are trying to reduce it by 90 to 100 days, which we are planning, but still it's above or approx 4 months.
- In this, the product mix that we are including, which is we are doing white labeling also for the big corporates like V-Mart, Vishal, V2, these kinds of value retail chains with whom we are currently tying up, their payment terms are slightly better. They generally pay us by 60 to 75 days. Tying up with them and our traditional way of business, when we consolidate that, we are planning to come down around by 90 to 100 days for debtor cycle.
- Gunit Singh:** Got it. And in this business, how much are the inventory returns?
- Krishan Karnani:** Inventory returns is less than 1%, because quick moving items and we are making value for money items only. Even for B2B in Karnika brands also, we are having WSP of in between INR150 to INR500 only. So, basically, we are doing for mass only, so generally, returns do not come to us.
- Gunit Singh:** Got it. This 30% to 35% growth that we are seeing, this would mainly be driven by Kidcity?

- Krishan Karnani:** Yes. Karnika will gradually grow by its standard 20% to 25% year-on-year growth that it is achieving, and Kidcity will be the major driving factor for us.
- Gunit Singh:** Got it. What is the working capital cycle for Kidcity?
- Krishan Karnani:** It's almost same Karnika because you do not have debtors here, you realize cash, but your inventory channel will be much higher in this case. Because you have to produce goods and then sell it to the end store. So, till the time your sales revenue is not generated, your inventory cycle increases. Here there is no debtor cycle, your inventory cycle increases. In Karnika, your inventory cycle is slightly reduced but your debtor cycle increases.
- Gunit Singh:** Got it. So, the working capital intensity will be same in the future?
- Krishan Karnani:** Right. Major challenge for the garment is working capital only.
- Gunit Singh:** Got it. For Kidcity, how many EBOs do you currently have? Is it...
- Krishan Karnani:** We have only one EBO, which is in Purnia.
- Gunit Singh:** Got it. Do you only plan to open your EBOs in airports the kiosks you mentioned, or do you plan to even?
- Krishan Karnani:** No, I have already spoken about this. We are already planning for this for airports and high-end malls.
- Gunit Singh:** Okay.
- Krishan Karnani:** For EBOs concept, which is concept of Brands of Brand, and for our value for money item, which is MRP tag of INR199 to INR499 SIS model, this we are aiming for Tier 2, Tier 3.
- Gunit Singh:** Got it. How does our brand compare with there's a company called Purple United, I think it's listed company in the same space, Purple United or this FirstCry?
- Krishan Karnani:** FirstCry, as I told you the model, they are basically outsourcing from factories like us. We also give them on white labeling to FirstCry, their four or five brands to them. But again, in Karnika, we take our own source of fabric process it and make it. So, we can make it at far better rates and better economics and give it to them. So we want to be profitable and increase our business rather than doing only mass expenditure or let's say marketing or something.
- Gunit Singh:** Got it, sir. Thank you very much. I'll join back the queue.
- Krishan Karnani:** All right, sir. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Mr. Jeswani with You-First Capital. Please go ahead.
- Kamal Jeswani:** Yes. Thank you for taking my question. Congratulations on good set of numbers. Currently, we are present in how many states in India, our products?

- Krishan Karnani:** So we are doing pan-India, 28 states itself, because we directly doesn't sell to any wholesalers. We are selling through our some of the big buying houses only, but they sell through pan-India itself.
- Kamal Jeswani:** Okay. But do we have any bifurcation which zone, east, west, south, we are?
- Krishan Karnani:** Region-wise, we have whatever, because there are two methods of billing: One, they do bill-to-ship-to, one, they take in their own names or their own warehouses, from there they sell. So, the goods they order from their homes and sell from there, we don't have that data. Their billing, because they are local agents and local buying houses, so for me, that sale shows West Bengal. But whichever sale they are doing, bill to ship to, from there, we can identify that maximum sale is in 55% will be North India and 45% will be Central and South India.
- Kamal Jeswani:** North and Central is maximum?
- Krishan Karnani:** Right.
- Kamal Jeswani:** South India, we don't have much presence?
- Krishan Karnani:** Central and South India, we have approx 45%, and North and Western region, we have approx 55%.
- Kamal Jeswani:** Okay. We are present in mostly all the regions. Okay. And this is for our own brand or even the wholesalers you said?
- Krishan Karnani:** Yes, we are doing on B2B only. In Karnika, we are doing B2B only to wholesalers only.
- Kamal Jeswani:** Okay. And our own brand, Kidcity, where it...
- Krishan Karnani:** Even in B2B, we are selling on our own brand name, which is Karnika only, and Kidcity is our B2C brand, for which we are selling directly to consumer only.
- Kamal Jeswani:** Yes. Which region maximum sales are coming?
- Krishan Karnani:** For shop-in-shop, currently we have in West Bengal, Odisha, Jharkhand.
- Kamal Jeswani:** Okay.
- Krishan Karnani:** Bihar. Yes.
- Kamal Jeswani:** Okay. Mostly East India?
- Krishan Karnani:** Yes, mostly Eastern India. Now we are planning for Central India, MP belt. We are planning to go there.
- Kamal Jeswani:** Okay. Gradually, you want to expand in India?
- Krishan Karnani:** Yes, region by region we are expanding so that our operational efficiency will be much easier.

- Kamal Jeswani:** Got it. Fine. Thank you so much. All the best. Thank you.
- Krishan Karnani:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Ashish Soni with MM Capital. Please go ahead.
- Ashish Soni:** Sir, if we do so much expansion, what will happen to the debt? Will you maintain the same debt or take more? What is your plan?
- Krishan Karnani:** Sir, we do not want to grow the debt too much. We want to continue with this debt level. If we required next round of fund for the expansion, we will go for preferential allotment or equity, whatever our professional will suggest to us, we will go for that.
- Ashish Soni:** When do you plan to do this, in which year?
- Krishan Karnani:** This will consider how the capital funding requirement arises immediately, accordingly based on that. Right now, we are working with what we have. With our own source of retained earnings and profit, our work is progressing. If we feel that we are getting mass expansion immediately, which is primarily required for Brands of Brand concept, for which I will require a healthy capital infusion, once the entire plan chart of that is infused, then we will have the requirement.
- Ashish Soni:** And for this expansion, do we have our own manufacturing capability, or will we have to expand that as well?
- Krishan Karnani:** Manufacturing is not a challenge because its core domains are what we do in-house, which we can expand from here anytime without much capex incurred. And wherever capex is required, all those processes we are doing on job working only. So we will not require much capex there.
- Ashish Soni:** And the accessories that we are going to sell, are we going to manufacture them or outsource them?
- Krishan Karnani:** That will be outsourced only because that will not come under our own manufacturing setup.
- Ashish Soni:** Okay. You said you do white labeling for FirstCry, so is there any particular brand that we can check in the store that you sell through white labeling?
- Krishan Karnani:** In white labeling, you will not see my brand, sir, because they put their own branding. But if you want to see my brand, in B2B, if you want to see our brand, you can go and check on Hopscotch also. You will see Karnika Care, Karnika Key products. Apart from that, we have our own Kidcity online website. From there, you can procure any piece and check the quality and branding.
- Ashish Soni:** But does FirstCry have any particular brand, do what they are putting?
- Krishan Karnani:** Mark & Mia, we do with Mark & Mia, we do with Ed-a-Mamma, we do with Disney. They have around 10 to 12 products on which work is done. We primarily do with these three.

- Ashish Soni:** I see. And do you have no marketing plan? Because you will expand so much, and you said you will get visibility from the airport, but still, to build your brand, you will have to do some marketing. How much will that cost in one or two years?
- Krishan Karnani:** Sir, in marketing, if we do the Brands of Brand concept, we are already spending on MG. If I take licensing of any character, a large expenditure arises there. Let's say if I take licensing of Disney for one year, whose MG itself is around INR50 lakh to INR80 lakh. Similarly, if we take any registered character on licensing basis, that itself is a big cost. And that cost itself is a driving factor for you that if you add its advertisement anywhere, even on online social media, it becomes a brand in itself.
- Like you just mentioned about FirstCry. In FirstCry also, there is a brand named Disney which manufactures goods only of registered characters, but their SKUs are very few. They are not maintaining that many SKUs there. In our case, what we are thinking in our concept, it will not just be Disney. Let's say Marvels will also be there, Disney will also be there, Panda will also be there.
- So different characters which currently remain regular and in trend, we will make those ourselves, and simultaneously in the long run, we have to create our own Indian character so that we can do its branding.
- Ashish Soni:** So how many brands are you thinking of, like from which you are thinking of taking license? How many brands currently?
- Krishan Karnani:** Currently, we have made projections for around 12 brands.
- Ashish Soni:** 12 brands means almost INR10 crores yearly expense.
- Krishan Karnani:** Yes, that will be for MG, minimum guarantee. Around INR6 crores to INR8 crores will be your MG.
- Ashish Soni:** Then to build your own brand, you will develop a character and do that, that's an additional thought, right?
- Krishan Karnani:** Right. If our stores run through, all the work happens with you, and your outlets become profitable, then along with that, you can start your own branding by creating any character and building on top of it.
- Ashish Soni:** Okay. Fine, Okay, sir. Thanks, and all the best.
- Krishan Karnani:** Thank you so much, sir.
- Moderator:** Thank you. As there are no any further questions from the participant, I would like to turn on the conference to the management for the closing comments. Thank you, and over to you, team.
- Krishan Karnani:** Thank you, everyone, for listening and patiently understanding whatever we are doing and being patient with our journey. Hopefully, we will achieve next milestones with all your supports. Thank you so much.

Moderator: Thank you, team. Ladies and gentlemen, on behalf of Go India Advisors, that concludes today's call. Thank you for joining us and you may now disconnect your lines.