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8th June, 2017

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

Scrip Code: 540048

National Stock Exchange of India Limited
'Exchange Plaza',
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051.

Symbol: SPAL

Dear Sirs,
Sub: Transcript of the Conference Call

We wish to inform you that Audited Financial for FY17 results conference call hosted on 26th May, 2017. We are sending herewith the transcript of the conference call.

Kindly take the above on your record.

Thanking You,

For S.P.Apparels Limited,

K.Vinodhini

K.Vinodhini
Company Secretary and Compliance Officer

Encl: As above

"S P Apparels Q4 FY2017 Earnings Conference Call"

May 26, 2017

ANALYST:	**MR. PRAVEEN SAHAY - EDELWEISS BROKING LIMITED**
MANAGEMENT:	**MR. P. SUNDARARAJAN – CHAIRMAN AND MANAGING DIRECTOR - S.P. APPARELS LIMITED.** **MRS. S. LATA - EXECUTIVE DIRECTOR - S.P. APPARELS LIMITED.** **MR. S. CHENDURAN - DIRECTOR OPERATIONS - S.P. APPARELS LIMITED.** **MRS. PV JEEVA – CHIEF EXECUTIVE OFFICER - S.P. APPARELS LIMITED.** **MR. SHANKAR RAMAN – CHIEF OPERATING OFFICER RETAIL - S.P. APPARELS LIMITED.** **MR. V. BALAJI – CHIEF FINANCIAL OFFICER - S.P. APPARELS LIMITED**

Moderator: Good day ladies and gentlemen and welcome to the Q4 FY2017 earnings conference call of S.P. apparels hosted by Edelweiss Broking Limited. 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Sahay from Edelweiss Broking. Thank you and over to you Sir!

Praveen Sahay: Good noon everyone and thank you for joining to the earning call of S.P. Apparels. On behalf of Edelweiss Broking, I would like to welcome management team of S.P. Apparel Limited to discuss the result and outlook post Q4 FY2017 earnings. We have with us Mr. P. Sundararajan - Chairman cum Managing Director, Mrs. S. Latha – Executive Director, Mr. S. Chenduran – Director Operations, Mrs. P. V. Jeeva – CEO, Mr. V. Balaji – CFO, Mr. Shankar Raman – COO Retail. Welcome you all. I would now request Mr. P. Sundararajan for his opening remark post we will take the Q&A. Over to you Sir!

P. Sundararajan: Thank you Praveen. Good noon to everybody. We are pleased to inform that the Company has recommended a dividend of 5% for the year in this 2016-2017 and we have witnessed a revenue growth for financial year 2017 coupled with improvement in operating profitability, which is great news. There was an increase in existing customer orders supported by increase in capacity. Basically there has been a customer concentration at the time of prior to IPO and everyone had this kind of concern that why the customer base should not be broadened and not only focus to UK, it should be even other than UK. So we have been able to increase the number of non-UK customers and also we have been able to increase the capacity. We have added about 300 new sewing machines during the financial year 2017 and as on March 31, 2017 the company has 3,760 sewing machines in operation.

Regarding the increase of customers other than the UK, we had increased three big major customers, two out of US and one out of from France. All the three of them are big volume customers. We have already started getting the business and productions have been already in place now. We are currently planning to add couple of more new customers in the non-UK during this current financial year 2018.

With regard to our UK office that is S.P. Apparels UK Limited the wholly owned subsidiary of this company we are pleased to inform that division has been able to breakeven in the last quarter of financial year 2017 and the revenue has been £1.47 million compared to £200,000 for financial year 2016. We have tied up with few customers, one landmark from Dubai, BHS International and Dunnes Stores and we have another two or three more customers in the pipeline for our UK subsidiary.

With regard to the retail operations, yes this is again a tremendous increase in the sales topline growth we have witnessed 64% growth in retail division during the financial year 2017. As on March 2017, we had 38 company owned company operated stores and 7 franchise operated franchise owned stores. During the financial year 2017 we have added 9 new stores and closed 4 stores, which are not performing.

We are in the process of opening new stores across new locations, which is an ongoing process. We have also increased our presence across 145 large format stores. This is the overview of the retail operations.

More will be explained by Mr. Shankar Raman on the retail front. The overall outlook is the capacity has been expanded rapidly. The new customers have been added and number of outlets in the retail is being rapidly increasing and our UK operations are also increasing their volume. I will hand it over to Mr. Balaji regarding financials. Thank you.

V. Balaji: Good afternoon everybody. With respect to the highlights on the financials, I would just like to give a brief note about the financials. We have grown 22% year-on-year where our revenue was Rs.537 Crores last year. This year we were Rs.652 Crores and in terms of our EBITDA, we have improved our EBITDA margin from 15.8% to 18.7%, combined with an improvement of growth in EBITDA of 44% in value year-on-year and on our PBT we have improved 110% where we were Rs.44 Crores last year against Rs.94 Crores this year and our PAT has increased by 78%, PAT margin has grown from 6.5% to 9.5%.

In terms of quarter-on-quarter, this year we have made Rs.162 Crores as against last year same quarter Q4 of Rs.152 Crores and our EBITDA have improved by 85% year-on-year analysis and PBT has improved by 181%. Our retail has improved their sales by 64% from Rs.34 Crores, they have gone up to Rs.57 Crores and our garment division has improved the top line from Rs.502 Crores to Rs.595 Crores.

So our margins have also improved and currently our debt is Rs.166 Crores, which is including the buyer's credit. Actually the total debt will be only Rs.150 Crores, but the buyer's credit supported by the deposits will be Rs.16 Crores. So total the debt is showing at Rs.166 Crores. For any other information, I think we will take it to the question and answers session. Over to Praveen!

Moderator: Thank you Sir. We will now begin with the question and answer session. The first question is from the line of Dhruv Agarwal from Crescita Investment. Please go ahead.

Dhruv Agarwal: Good afternoon Sir. Congratulations on a good set of numbers. My question is regarding the currency scenario going forward and because we understand that while booking a contract you hedge the 80% of the currency exchanges fixed at that time so now in an appreciating rupee scenario, how do you hedge it going forward, what strategy have you adopted?

V. Balaji: We are taking the orders based on the current currency scenario. So our strategy is based on the current costing rates, which is the current spot rate. So the hedging will happen 80% on the order rate immediately. So the strategy moving forward because of the appreciation in rupee remains same. We will be hedging 80% immediately.

Vijay Sagar: Sir, this is Vijay Sagar here. Sir I just wanted to check in terms of this quarter also what we seen in the number means apart from the topline growth everything was much better. So is that surely a function of currency depreciation that what we have seen or what kind of volume growth we are seeing during this quarter?

P. Sundararajan: See just now we explained you about the currency scenario. See we are hedging the currency at the same rate, so nothing is changing because of the currency.

Vijay Sagar: I understood your part in terms of the profitability but on the volume and top line?

P. Sundararajan: Please hear my answer fully. See the margins are getting improved because 1. of our efficiency, 2. improvement of the liquidity in the system, which has started giving us results in terms of our payment terms with the suppliers and getting better rates. So these are the two things, which are adding to the margins and no stress on the working capital.

Vijay Sagar: Okay and Sir in terms of the client addition as you said what kind of client addition or basically how many clients you added this quarter and how is that going to be in next one year I look at two three more credential clients can be added?

P. Sundararajan: See, currently we have about six or seven clients in the pipeline. Already we have been able to convert three customers into business. Already the orders have been placed and the materials have been arranged for. We are starting the production sales from next month onwards so three customers have been converted; one from France and two from US. We have another three to four more customers for which anytime we can open the door for those customers.

Vijay Sagar: Okay, last point Sir when we discussed last, you said customer is not an issue, but increasing the capacity and getting that supply or whatever demand from the client is crucial. So how we are going to address that, so do we need to put an incremental capex?

P. Sundararajan: Yes, see as I always say increasing the capacity is a challenge. It is not difficult. It is a challenge so we cannot just straightaway make a big jump in manufacturing of garmenting due to the labor force and other activities.So as I mentioned before in the financial year 2017 we have been able to increase 300 machines post IPO and now this year as we promised and the same way we are going to have another about 600 to 700 machines growth this year (FY18). So in addition to this we always try if we can get any bigger factories or increase bigger factories, it is always on the table.

Moderator: Thank you. The next question is from the line of Rukun Tarachandani from Kotak Asset Management. Please go ahead.

Rukun Tarachandani: Good afternoon. Can you please share the volume numbers in garments division that you did this quarter and the same quarter last year?

V. Balaji: I think the presentation has got the details about so in toto we have done 11.22 million pieces this quarter and last quarter 10.87 that is Q4 2016.

Rukun Tarachandani: Okay, so on a volume front it does not like a big increase, so was there something specific to this quarter or I mean is there a seasonality involved wherein you anticipate better volume growth going forward?

P. Sundararajan: Yes definitely we expect the volume to grow. See if you look at it in the last year Q4 was our biggest performing quarter and that time we had made big jumps in the capacities.So, this quarter there has been an increase but there is a change in stylings and the other it was comparatively less fashion when compared to the last quarter 2017.However, going forward definitely in terms of volume number of units, it is not directly relevant to the topline of value, but still there is a significant growth in the unit terms.Going forward because we are adding more styles in our business so the whole thing is the numbers are going to be considerably more.

Rukun Tarachandani: Got it and sorry to go back to that currency question, so just to clarify let us say if currency was to remain at 64.5 for new orders that you would book; would you still maintain on those orders margin similar to what you were making probably six months ago?

V. Balaji: In terms of currency, the orders are taken based on the current rates. So any change in currency rates will definitely be passed on to the customers. So, if it is around 1% or 2% we may have to take a hit. Any depreciation of upto 1% or 2% we may have to take a hit in the margin, but the significant changes in the currency rates will be passed on to the customer.

P. Sundararajan: There may be a question on pricing although because the depreciation of currency is much bigger than what has been anticipated. The pound currency has been depreciated by about 18%.Although we do the costing based on this current depreciated value, there has always been pressure from the customer sale for their selling price also.As the CFO mentioned that there will be 1% or 2% pressure on the margins in the next quarter.

Rukun Tarachandani: Thank you.

Moderator: Thank you. The next question is from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Andre Purushottam: This is Andre here. Congratulations for a good set of numbers Sir.

P. Sundararajan: Thank you.

Andre Purushottam: I just wanted to ask from the retail operation. For 2017, what has been I suppose that the loss figure. What could that loss figure be and for FY2018 what are you projecting the final profit or loss from the retail operation?

V. Balaji: See in terms of retail, when we budget for the financial year 2017, we have budgeted a revenue of Rs.80 Crores and we expect a 5% to be spent towards advertisement and we have planned the advertisement schedule for the whole year and we have aligned with certain people for advertisement. So what happened is that we have aligned for Rs.4.5 Crores of advertisement expenditure and we have entered into contract with various media people. So now what happened is that my sales were not equal to what is being budged but my expenditure expenses are for the whole year. So what happened is because of demonetisation our essential division, which is the wholesale distributor angle was not able to achieve the sales, which they have to. So the advertisement process, which was planned for Rs.80 Crores was, restricted itself to Rs.55 Crores. So the percentage of 5% versus 10% is again a puller and we have already informed you that the retail mix to cross Rs.80 Crores a year to breakeven because of the fixed back in cost, which is fixed.

Andre Purushottam: Right, so how much are you predicting this year in FY2018 for retail, the topline?

Shankar Raman: Topline, I think we are looking at 75% to 80% growth year-on-year.

Andre Purushottam: On a base of Rs.56 cr?

Shankar Raman: Yes correct.

Andre Purushottam: Okay correct. That should take you beyond breakeven in FY2018?

Shankar Raman: This year we are predicting retail to breakeven.

Andre Purushottam: Thank you.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Lucky Investments. Please go ahead.

Sachin Kasera: Good afternoon Sir and congrats for an excellent set of numbers. Can you give us the way you have given for retail some guidance on the volume growth for the garment business against 48 million FY2017 that you have done. What is the number you can look for FY2018, 20% to 25% is that possible?

V. Balaji: See in terms of volume I think that will be very hard to give a volume growth in terms of percentage. In terms of percentage we can speak over anywhere between 10% and 15% growth is possible but in terms of absolute number I do not think, that will be possible.

P. Sundararajan: As I mentioned if there is a change in the styling or other thing as I mentioned to you we are going to have more of basic products as well. So I always suggest that not to work on the number of pieces rather we will talk on the values.

Sachin Kasera: Sure so if you could tell us a little bit about value growth industries?

P. Sundararajan: As you know around 15% comfortably as we committed.

Sachin Kasera: Actually Sir how are we heading on FY2017-2018 in terms of the hedging across various currencies?

P. Sundararajan: See to the orders what ever we have got, we are hedged up to 80% of the currency.

Sachin Kasera: Yes, if you could just tell us the exact amount I believe if revenue is being in all three currencies, right; Euro, Pound and Dollar, so what is the absolute of hedge we have in all the three currencies and at what levels we have hedged it for FY2018?

V. Balaji: In terms of Dollar, I think we should be closely around $18 million to $20 million and in terms of Euro, I think we should be closely around 8 million to 9 million and in terms of Pound we should be closely around 10 million.

Sachin Kasera: What rate we would have hedged in Sir, approximately?

V. Balaji: Average rate, Pound should be closely around Rs.87 and Euro should be closely around Rs.74.5 to Rs.75 and Dollars should be around Rs.66.

Sachin Kasera: Sir, what is the type of productivity guessed that is possible in FY2018 and you also mentioned that you have got some gains in terms of better procurement of raw material because of the ease of working capital and liquidity, so can you see some more improvement on that front in FY2018?

P. Sundararajan: Yes, on the cost of material inspite of the fluctuation in the cotton prices and the yarn prices, still we are able to save considerably because of the better cash flow. This will always, help us in saving the cost base of about 1% to 2%. We have already been experiencing this now.

Sachin Kasera: Any more productivity gains possible in FY2018 or FY2017 further?

V. Balaji: I think we cannot be very specific about that.

Sachin Kasera: Sure and Sir what gives us the confidence on the 75% to 80% growth on the retail division, that is like a very significant growth we are projecting?

Shankar Raman: It is in expansion mode. We are going to increase our doors on the LFS front as well as our stores. It is not on the same stores like-on-like stores. We are going to expand around 20 stores and as well as presence in LFS stores.

Sachin Kasera: What is the capex planned for FY2018?

Shankar Raman: On the retail front?

Sachin Kasera: No, on the garment front Sir?

V Balaji: See in terms of capex we are planning to have this backward integration completed by March 2018 and which will be close to around investment of Rs.65 Crores, which we have raised through IPO and garment again investments in fixed capex capacity, which we are planning should be close to around Rs.20 Crores

Sachin Kasera: Total Rs.80 Crores and another Rs.20 Crores in retail, so combined company around Rs.100 Crores.

V Balaji: Twenty stores not Rs.20 Crores, retail is 20 stores not Rs.20 Crores. It should be closely around anywhere between Rs.8 Crores.

Sachin Kasera: So totally around Rs.90 Crores?

V Balaji: All put together.

Sachin Kasera: Thank you very much Sir.

P. Sundararajan: Thank you.

Moderator: Thank you. The next question is from the line of Chintan Seth from Sameeksha Capital. Please go ahead.

Chintan Seth: Sir coming back to the capex number, can you provide us the FY2017 spend?

P. Sundararajan: FY2017 we have invested close to around Rs.42 Crores in the capex company as a whole.

Chintan Seth: If I see your IPO mandate on the expansion and modernization of Valapady, at that point of time we are expecting around Rs.33 Crores to Rs.34 Crores for FY2017?

V. Balaji: I understand your question. See what happened is that we were expecting the building plan approval to be completed by October, but if you had visited our earlier transcripts where we have spoken about the building plan approval getting delayed because of the political scenario in Tamil Nadu. So what happened is our building plan approval did not get through and there is some escalation in terms of time because of the delay we have lost three to four months there. So ultimately what happened is all the expenditure, capex plan that should have spent before 2017 has been transferred to 2018. That is where I said we are closely investing around Rs.60 Crores in capex in the spinning in the previous question.

Chintan Seth: Correct, okay. That answered my question Sir. So of the Rs.20 Crores garment capacity we are adding it will be around 600 to 700 machines as you spoken?

P. Sundararajan: Correct.

Chintan Seth: Okay, for 2017 also we have planned around 600 machines earlier, right?

P. Sundararajan: Right, correct.

Chintan Seth: Yes, so we have added only 300 this year?

V. Balaji: No, see actually what has happened is the machines have come but it has not been put into use. So these machines we have closely brought around 250 machines, which are not yet put into use. So these will get incorporated in the next year.

Chintan Seth: Okay, this is 70% of the machines, which we actually use for production so count will be higher, right? Total number of machines we actually procured?

P. Sundararajan: Yes, see in terms of procurement yes, you are right.

Chintan Seth: Correct, right. Yes, so okay and second thing on the garmenting side, the volume has grown 33% for the export volume for the garments grew 33% this year, but revenue has grown 18%; this is due to mix or realization?

V. Balaji: It is purely the product mix. Please look at the realization proceeds. You would have seen the depreciation coming down. In the earlier calls we have been saying that we are increasing our basics contribution in the product mix. Previously it was 90:10, now it is 75:25, and going forward in the last call MD was stating about 60% to 40%. So the product mix will change and what will happen the production will increase but the realization proceeds will come down. But still our revenue will grow.

Chintan Seth: Correct, because of the volume?

V. Balaji: Yes, correct. You are right.

Chintan Seth: Okay and lastly Sir if I may, what is the interest cost for the Q4?

V. Balaji: I understand your question. Interest for the Q4 was Rs. 0.4 million?

Chintan Seth: Right.

V. Balaji: See there is a PCFC restatement, which is happening. Say by the end of the year we had good amount of PCFC in Dollars. Dollar as you know that depreciated against rupee, so when I restate my Dollar towards rupee, I have a gain of Rs.3 Crores, which is getting adjusted in the PC, right.

Chintan Seth: So you are saying Rs.300 Crores of interest gain from the Dollar – Rupee restatement?

V. Balaji: Not Rs.300 Crores. It is not Rs.300 Crores. It is Rs.3 Crores.

Chintan Seth: Yes Rs.3 Crores actually adjusted in the interest expense.

V. Balaji: Yes, correct.

Chintan Seth: Okay Sir, I will get back in queue. Thank you.

Moderator: Thank you. The next question is from the line of Vaibhav Gupta from SKS Capital & Research. Please go ahead.

Vaibhav Gupta: Yes, I just wanted to understand your retail strategy a little bit more. You are about Rs.57 Crores of topline and loosing about Rs.7 Crores to Rs.8 Crores on EBITDA level on that business, correct in FY2017?

Shankar Raman: Yes, you are right.

Vaibhav Gupta: So, given that our core business is doing so well, how does it fit in with the other I understand somewhat complimentary but retail is a difficult business and still standalone brands had big challenges giving up and being becoming profitable.So what makes us so prudent about that scaling up this business and the future expansion plans that we have in terms of store level additions etc. It is just till what level are we prepared to sort of see if you are successful in our retail strategy and how long are we prepared to keep focusing on this and burning cash and you know you mentioned that we hope to be breakeven may be at the EBITDA level this year. Would that be despite and how much capex do you intend to spend on the stores? How many store additions?

V. Balaji: See in terms of the capex or money, which is going to be invested in retail that we have already raised from the IPO, we have raised Rs.28 Crores, which has been for the capex cost for the growth for next three years for the retail division. Previous question, which was asked on the retail, is about the EBITDA breakeven and we have told that once we reach ~Rs.85 Crores on the topline we will definitely be in a position to breakeven at the EBITDA level. Once it breakevens now our strategy is to see whether the retail is breaking even or not. We will wait until the retail breaks even and then start think about the future of the retail. In terms of the EBITDA number, if you look at our sales 2015 we have made Rs.18 Crores of revenue as against 2016 we have made Rs.35 Crores of revenue. As against 2017 we have made a growth of Rs.57 Crores. So consistently we are growing.

Vaibhav Gupta: By spending how much on stores etc., you know, if you close the stores and spend Rs.30 Crores on capex and are able to increase sales would that be the metrics, you would be happy with?

P. Sundararajan: No, investment in the stores is only one part of the growth. Other is we are planning for presence in many LFS and so many other channels I think Shankar can take.

Shankar Raman: Yes, initial first year to expand the brand we opened our old COCO stores, but on the growth path what we are going to concentrate on the MBO model and LFS model wherein capex is less. So first year always there is a huge outflow of capex as well as the margin loss. Once we establish the brand, taking the brand to the next level through other channels it will yield more profit and more margin. This is the strategy we are going to take.

Vaibhav Gupta: Okay, so and what did you say was your capex on the retail part this year?

P. Sundararajan: This year it is Rs.7 Crores.

Vaibhav Gupta: Thank you so much.

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

Ronak Morjaria: Good afternoon Sir. I just wanted to understand since we added additional 250 machines but we could not utilize it, so what issues you faced we did not have place or we faced issue regarding man power, why we could not put it online.

P. Sundararajan: You are talking about Q4 right?

Ronak Morjaria: Yes, the Q4 new machinery?

P. Sundararajan: Q4, usually we have been telling in our all earlier concall that during the period of the Pongal Festival and the Diwali festival time, the utilization levels comes down drastically.Also in January, we had this Jallikattu issue also so, took away 14 days to 15 days of the whole production. So, it does not mean that the production is zero on that time, but the production is very low at that time. That is why you find the utilization coming down.

Ronak Morjaria: Okay, so what was the utilization in this quarter?

P. Sundararajan: It was 74%.

Ronak Morjaria: 74% and revenue per machine?

V. Balaji: That ranging in between to Rs.15 lakhs to rs.17 lakhs.

Ronak Morjaria: Okay and if I am not wrong, you mentioned the garmenting revenues are expecting a top line growth of approximately 10% to 15%, right?

P. Sundararajan: Right.

Ronak Morjaria: So, I just wanted to understand since you are adding three new customers and other customers are in pipeline, why are we expecting such nominal growth in the garmenting side?

P. Sundararajan: No, that is our plan because the first year for both customers as well as for us, we need to test each other.Although all the customers are known to us but still since it is a restarting of the business so any customer would like to test with on decent quantity of orders and wait for one season to be over.Meantime, as we grow this year we have a plan for another about say 600 to 700 machines growth with whichwe will exactlycome in line in next three to six months time based on placing more and more orders.By then we will have another about 600 to 700 machines, which will be dedicated for new addition customers.

Ronak Morjaria: Okay, this 600 to 700 would be in addition to the recent 250, which we are still not using?

P. Sundararajan: Oh! Yes, very much.

Ronak Morjaria: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Ankit Gor from Systematix Shares. Please go ahead.

Ankit Gor: Thank you Sir. First of all congratulations for good set of numbers Sir. Sir my question with regards to forex loss or gain whatever happened if you can just break it up how much amount in other income and how much in other expenditure that will be great for us Sir?

V. Balaji: I think we have identified it separately in the presentation, which has been uploaded in the website.

Ankit Gor: Okay and Sir what was the duty drawback amount for full year Sir in FY2017?

V. Balaji: You are talking about duty drawback and the ROSL both together?

Ankit Gor: Correct Sir.

V. Balaji: It should be closely around Rs.50.5 Crores.

Ankit Gor: And Sir if I am just a kind of reconfirming capex for FY2018, which was backward integration Rs.65 Crores, sewing machines Rs.20 Crores, retail Rs.7 Crores, right or anything else is there?

V. Balaji: No I think that is it.

Ankit Gor: It is around Rs.92 Crores, right Sir?

V. Balaji: Yes, by logical way.

Ankit Gor: Okay and Sir one more question with regards to working capital, our debtor days have increased during the full year and any specific reason behind that Sir?

V. Balaji: Our revenue has increased.

Ankit Gor: But days in terms of sales I am talking about?

V. Balaji: In number of days what is happening is that previously customer mix is the right way to look at it whom we if you are selling it to say Primark they are 35 days customers and if it is more of

Mother Care, which is happening in the end of the year and Mother Care is 90 days customer and ASDA and TESCO 60 days. So it is based on the product mix at the end of the year, I mean the customer mix.

Ankit Gor: Sir going forward what will be that number of days because in FY2016 according to my calculation it was 53 and FY2017 it is 77 days.

P. Sundararajan: 77 days, I think you have taken retail debtors together. March 2016, we did not have the opening of the LFS stores last year. So you have to bifurcate the whole receivables between the exports and the domestic retail and look at it separately on a different platform.

Ankit Gor: Okay, we will take it that offline but going ahead the 75 will be a fair number to look at, right?

V. Balaji: 75 should be the right way to look at it. That will be ideal.

Ankit Gor: On a consolidate basis?

V. Balaji: Yes, on a consolidate basis.

Ankit Gor: Sir, one more question if I can ask. If you can give some colour on new customers, which we get it from US and from non-UK, are they capable that I am sure about that but in order to scale up to Rs.200 Crores of revenue, will it be possible from them in next two to three years or how it is?

V. Balaji: Yes of course.If you look at our existing customers as I mentioned during our last concall and in several other meetings, Primark is just a beginning only. If you look at the Primark business alone in this year we are expecting it to be about Rs.200 Crores to Rs.250 Crores as against the last year also Rs.140 Crores.So that itself is about nearly Rs.150 Crores we anticipate in Primark business and new customers are also equally big enough to cater to that kind of business to us. So, there is no issue on that one.

Ankit Gor: Okay Sir. Thanks a lot. I have many questions, I will come back to queue. Thanks.

Moderator: Thank you. The next question is from the line of Moiz Tambawala from Florintree Advisors. Please go ahead.

Moiz Tambawala: Good afternoon everyone. What is the export revenue for the quarter?

P. Sundararajan: In terms of absolute export?

Moiz Tambawala: Yes.

P. Sundararajan: Rs.120 Crores.

Moiz Tambawala: Rs.120 Crores and the duty drawback for the quarter?

P. Sundararajan: For the quarter about 11% on Rs.13 Crores.

Moiz Tambawala: Rs.13 Crores, right and any GST related impact on overall business or how does it affect ROSL going forward, any views yet?

V. Balaji: See, we are not aware about the impact of GST on the duty drawback and ROSL. See ROSL itself means it is a rebate on state levy where I am not allowed to take a credit. Now in the GST regime we are not aware what will be the impact, what are the rates that is applicable.There are certain things, which are for which there is less clarity like whether the ROSL will be withdrawn or not we are not aware about it. Once we are aware, we will surely share that.

Moiz Tambawala: Right, great. Got that and also one more thing we spoke about the shift in product mix from fashion going more towards basics in a larger proportion, would that effect our revenue per machine in any material way?

P. Sundararajan: No, it will not. Revenue per machine, if it is going to be basics, output is going to increase. So the revenue per machine is going to remain same and it will definitely improve because the efficiency part is also going to improve in the basics.

Moiz Tambawala: Right, great. Got it, that is it from my side. Thank you so much.

P. Sundararajan: Thank you.

Moderator: Thank you. The next question is from the line of Kunal Thanvi from Equitymaster. Please go ahead.

Kunal Thanvi: Thank you. Congratulations Sir on the good set of numbers. I have three questions on this. So to start with the basic question, sir what is the difference between infantwear and childrenwear in terms of brand, manufacturing process and cost and what is the share between childrenwear and infantwear?

P. Sundararajan: The difference between infant and kidswear is infant is a new born, zero month to up to 36 months say one and a half year or some cases may be up to 2 months they consider as baby products where the fashion, fabric everything is unique.It is not like kids because it (infantswear) needs softness and the creeper such kind of products which are completely different.The kids of two years and above up to that is split into 2 years to 14 years where again split into toddlers(2-8) and older kids(8-14). So there again there are more different fabrics more embellishments, more fashion will be there.The answer to your second question is our infants is 60% and kids is 40%.

Kunal Thanvi: So the manufacturing cost and other related costs on both of these sub-categories are different?

P. Sundararajan: No, manufacturing is there are two things, one is the sewing thing which is similar whether it is kids or infant, but the value additions in terms of the fashion elements like more additions that changes from babies and the kids is completely different. There will be more of embellishments in the case when compared to the infants.

Kunal Thanvi: So if I have to put this way, so the margin for you in infant and children is substantially different or it lies similar?

P. Sundararajan: More or less same because we do have standard costing and standard margin structures. So I do not think that there is a big difference between kids and babies.

Kunal Thanvi: Thank you.

Moderator: Thank you. We will move to a next question, which is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.

Ashish Kacholia: Good afternoon Sir. This is Ashish Kacholia here. I just wanted to ask you about the customer conversations that you have been having with your customers regarding the currency pricing levels change, so what are the customers saying? Are they willing to give you a little bit higher in terms of pricing or you have to compensate by going towards more plainer designs?

P. Sundararajan: All that things are happening because even they also have certain limitations due to the very heavy depreciation of the pound in the UK market so I do not think they would be able to simply increase their selling prices because of the market conditions there, so we have several sittings. We go over to the UK and they come over here. We have had several sittings how we all could manage a situation may be in terms of changing the styling, changing the fabric without decreasing or reducing any of the fashion elements or their look or appeal of the garments and of course the quality. So lot of things like for example,they cannot blame though there has been a severe pressure for them in the margin and there is also for suppliers costing,However we are trying to jointly discuss say for example, they will consolidate one fabric or one color across all the departments say for example baby girls, toddler girls and older girls they have changed their way of working means all departments put together they will place the quantity so that the volume is bigger and the cost of their fabric will come down. So this is the kind of same way for everything and for example in the packaging from nominated supply source they are trying to see if they can allow us to do our own sourcing where there can be some savings of few rupees. So we are all working together, we have done one season and we have been able to save something in addition to there has been some price they are passing on to us.

Ashish Kacholia: Okay, my second question Sir is when you are looking at the volume growth in the children segment in the kidswear, are we continuing to see strong volume traction going forward?

P. Sundararajan: Very much. There has been no change. In fact they are also trying to increase the quantity so that there can be some reduction in the cost. The volume or the quantity per style has been increasing, it is not decreasing.

Ashish Kacholia: Okay, in our Crocodile brand domestic business you have indicated that huge growth rate in the current year, are you seeing this kind of sustaining into the future?

P. Sundararajan: Yes for the next three to four years we can have this similar kind of growth, expansions, until we reach about Rs.200 Crores plus we will definitely make big jumps.

Ashish Kacholia: Okay and this is now in spite of the demonetisation and the wholesale trade going out and all that in spite of that you are quite confident of this?

P. Sundararajan: Very much, because things have been back to normal and as we mentioned before that we are now increasing the number of outlets. Also the number of doors in the large format stores where in pan India level like Reliance or Aravind or Megamartat all these places we are increasing our presence. So this is going to support us in the growth because walk-ins are more there as against our EBO stores, which seems to be a better model in the future.

Ashish Kacholia: As far as the sourcing of that product is concerned you are sourcing it in-house or you are going to be sourcing it from outside?

P. Sundararajan: No, except for essential undergarments or vests the rest all being sourced externally because we cannot produce Denims, we cannot produce shirts that is not our products.

Ashish Kacholia: And in terms of all EBITDA margins for the current year, how are you seeing that?

P. Sundararajan: We will be able to sustain for sure.

Ashish Kacholia: You will be able to sustain?

P. Sundararajan: Very much Mr. Ashish.

Ashish Kacholia: Great show and wishing you all the very best Sir.

P. Sundararajan: Thank you. Thanks for your support.

Moderator: Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: Three questions. Firstly what is the gross margin in the retail business; that is the first thing. Second is what is the mix of basic and fashion we have in FY2017? And the third is that like we are talking about Primark going from Rs.140 Crores to Rs.200 Crores to Rs.225 Crores; even if I take a mid point of Rs.220 Croreswe are talking incremental of Rs.90 Crores and if I look at our garmenting revenue of Rs.600 Crores, that itself is a growth of 15%. Are you expecting other customers to degrow and new customer to not add anything, so why we have the feeling 10% to 15% guidance there on the revenue side?

P. Sundararajan: So on your first question about the margins, gross margins are closely 70% and what is your second question?

Giriraj Daga: What is the mix of basic and fashion in the garmenting?

P. Sundararajan: No you are talking about the garment division or retail?

Giriraj Daga: Garmenting?

P. Sundararajan: Okay, product mix is as we mentioned before, infant is 60% and kids are 40% where again fashion is 70% currently which might go down to 60% and Basic is 30% now, it may go up to 40% in the future over a period of time in this year.

Giriraj Daga: Okay and the third one?

P. Sundararajan: And your third question?

Giriraj Daga: Third question on the revenue side, you are saying Primark will go from Rs.140 Crores to Rs.220 Crores so that itself is a growth of ~Rs.90 Crores on a base of Rs.600 Crores of garments revenue that itself is 15%; so are you expecting the other customer to degrow in this year that is why we are giving only 10% to 15% guidance?

P. Sundararajan: Yes, it is like this now we have a choice of choosing the products or rejecting the products based on the margins available because we are under that pressure. So we can it is only the opportunity I said in Primark we can grow up to another Rs.90 Crores to Rs.100 Crores, so it is open and we we said from 600 to 700 machines we may also try for even 1000 machines if we get a chance, and an opportunity to increase the capacity so we are keeping everything ready, it does not mean that these are the numbers going to be there.

Giriraj Daga: Thanks a lot.

Moderator: Thank you. We take the next question from the line of Sanidhya Daga from Athena Investments. Please go ahead.

Sanidhya Daga: Good afternoon everyone. Thanks for taking my question. Firstly just a quick one on basic versus fashion, so is there any difference in the kind of margins that we generate from these two?

P. Sundararajan: No, however in the costing structure yes fashion will be definitely better margin as against the basics but in terms of the efficiency and volumes the margins in productivity will be better in basics than the fashion. So, overall if you look at it, it is going to be an average of similar kind of margin. So we are only looking at the flexibility in our shop floor to have both the mix so that the efficiency is better. Other wise the margin structure is same.

Sanidhya Daga: Okay and the second one is regarding the new client that we are adding. So just want to get a sense of going forward in the next year or two what is the kind of contribution that they will have versus the already existing clients that we have in terms of revenue share and EBITDA margins, will it be able to drive up the EBITDA margins yet generating?

P. Sundararajan: So in the revenue topline will be around 60% of the existing customer base and the remaining 40% will be from the new customers.

Sanidhya Daga: Right, also just quick one in terms of pricing power, how much of pricing power does the company has. For example if you are entering into new clients and new geographies, how much can we command versus the kind of rate that is already existing in the market?

P. Sundararajan: I think that is all similar to customer to customer all over the world this is a same practice, so whatever we are experiencing in the UK that is the same kind of experience we are getting in the US market also and France also.

Sanidhya Daga: So the focus of the company will mainly be on topline or margins?

P. Sundararajan: Both of course. Topline is most important naturally the bottom will be better.

Sanidhya Daga: Thank you.

Moderator: Thank you. The next question is from the line of Ujwal Shah from Quest Investments. Please go ahead.

Ujwal Shah: Thank you for taking my question Sir. Can you give some outlook about your S.P. UK business as well for FY2018, how do we see the revenues and operating performance?

P. Sundararajan: Yes, the S.P. UK is a good model. It started working out very well now and as already shown in the financials the last quarter of 2017 and has been able to breakeven with a very negligible loss. So it is almost breakeven and this year you will see the jumps as what you see in retail also it is going to be a big jump because it starting from the scratch. Our potential is huge. We have customer base similar to what we have here and the advantage in the S.P. UK business is that they can source from any countries and factories for any products not necessarily to be only kids, not necessarily to be only the knitted garments or not necessarily to be only in India, so they are open to source any products from any factory from any country, which is a biggest advantage and our customers are literally who have a limited budget of sourcing, who wants to do small order sizes and this is the business model, which is going to help them. So we are very confident and very optimistic about the UK business. That is going to be one of the interesting business models in the coming years too.

Ujwal Shah: Right Sir, and in terms of operating performance can you expect what kind of profits can we expect from this business in FY2018?

P. Sundararajan: Future, we cannot tell you but the fixed expenses are very limited. So it is going to be where in retail at least you have challenges for opening up of the outlets all over the country although the standard fixed expenses are there but in the UK the fixed expenses are very limited though we have a set of design team, merchandising teams and the sales teams. But with the same customers we can grow the business to any fold, however the margins during order bookings are comparatively thinner as against our direct manufacturing in the export, because it is purely trading. So there is a sharing of profit between the factories and our UK office, but that is a constant number. s we grow this business, you will see the percentage will be maintained but the numbers will grow

Ujwal Shah: True Sir. Secondly Sir, in terms of preference dividend what has been the quantum in FY2018 and if I am not mistaken we paid close to Rs.4.4 Crores in FY2016 considering that the coupon rate is around 10% it walks out to around Rs.2 Crores if I am not mistaken. So can you throw some light on the same please?

V. Balaji: Yes, what was declared last year was the cumulative portion of three-year dividend so from the date on which the dividend preference shares was issued, they have not taken dividend until last year. So for all the five years we have declared a dividend last year. So that is why you find Rs.4.4 Crores. It is the 10% coupon preference dividend.

Ujwal Shah: Right Sir. So it would be close to Rs.2 Crores for the current year and going forward that is why?

V. Balaji: Yes.

Ujwal Shah: Thanks Sir and Sir lastly in terms of our sewing machine addition just to confirm so we have 250 machines, which have been ordered at our factory to be started yet and we planned to add another 600 to 700 machines in FY2018, am I correct in my understanding?

P. Sundararajan: You are right.

Ujwal Shah: Okay Sir, in that case in terms of capacity utilization if we look at only 10% to 15% kind of growth are we expecting the capacity utilizations to be comparatively muted for FY2018 and can that have?

P. Sundararajan: We cannot all of a sudden take up because you have to have preoperational challenges getting the people trained, recruit them, so it can only start once the production lines are ready and as and when, we get the people and train them and put them in the line. So gradually it is going to grow, so adding this strength we think that 15% will be the growth and may be more we are not sure.

Ujwal Shah: Okay Sir, and have we received the building plan approval which was pending?

P. Sundararajan: That is for spinning. It is yet to be approved because that is getting delayed may be we hopefully we take even next one or two months time it should be through.

Ujwal Shah: Thanks a lot for the answer. I will jump back in the queue.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question. I now hand the conference over to the management for closing comments.

P. Sundararajan: Thanks to all of you. Thank for the questions and we are very confident the similar kind of performance will be there in the future quarters as well. Be rest assured.

Moderator: Thank you on behalf of Edelweiss Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.