S.P.APPARELS LTD.

Regd. Office : 39-A, Extension Street, Kaikattipudur, AVINASHI - 641 654, Tamil Nadu, India.
Phone : +91-4296-714000 E-mail : spindia@s-p-apparels.com
Web : www.s-p-apparels.com CIN No.: L18101TZ2005PLC012295

Date: 30.05.2025

<table>
<tr><td>The Deputy General Manager
Department of Corporate Services
BSE Limited
1st Floor, New Training Ring,
Rotunda building, P.J.Tower,
Dalal Street, Fort,
Mumbai – 400 001</td><td>The Asst. Vice President
Listing Department
National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
Bandra – Kurla Complex, Bandra (E),
Mumbai – 400 051</td></tr>
<tr><td>Stock Code : 540048</td><td>Stock Code : SPAL</td></tr>
<tr><td colspan="2">Ref: Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015</td></tr>
<tr><td colspan="2">Sub: Transcript of the Conference call held on 29th May 2025</td></tr>
</table>

Dear Sir/Madam,

With reference to our letter dated 26th May 2025, intimation of Earnings Call for the Quarter ended March 31, 2025 to discuss the financial performance of the Company, held on 29th May 2025, please find the attached transcript of the aforesaid conference call.

This is for your information and record.

Thanking You.

Yours faithfully,

For S.P.Apparels Limited

Vinodhini K

Digitally signed by Vinodhini K
DN: c=IN, o=Personal, title=1810, pseudonym=26d92874918e45f6b5a95842d7231ebf, 2.5.4.20=ab414dfe4760214b391934c0f5efdefdd1aa4b0a456b3389c04b337870604fd2, postalCode=638111, st=Tamil Nadu, serialNumber=222643296fc732d90bef8378f221a25ed56283974c715cddd39356a733f16c87, cn=Vinodhini K
Date: 2025.06.04 17:07:55 +05'30'

K.Vinodhini
Company Secretary and Compliance Officer

Encl: As above

"S.P. Apparels Limited
Q4 & FY25 Earnings Conference Call"
May 29, 2025

MANAGEMENT:	**MR. P. SUNDARARAJAN – CHAIRMAN AND MANAGING DIRECTOR** **MR. S. CHENDURAN – JOINT MANAGING DIRECTOR** **MS. S. SHANTHA – JOINT MANAGING DIRECTOR** **MRS. S. LATHA – EXECUTIVE DIRECTOR** **MRS. P.V. JEEVA – CHIEF EXECUTIVE OFFICER** **MR. V. BALAJI – CHIEF FINANCIAL OFFICER**
MODERATOR:	**MS. PRERNA JHUNJHUNWALA – ELARA SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to S.P. Apparels Limited Q4 FY25 Results and Business Update hosted by Elara Securities Private 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 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. Prerna Jhunjhunwala. Thank you, and over to you, ma'am.

Prerna Jhunjhunwala: Thank you, Aviral. Good afternoon, everyone. On behalf of Elara Securities Private Limited, I would like to welcome you all to Q4 and full year FY25 Post Results Conference Call and Business Update Call of S.P. Apparels Limited.

Today, we have with us the senior management of the company, including Mr. P. Sundararajan, Chairman and Managing Director; Mr. S. Chenduran, Joint Managing Director; Ms. S. Shantha, Joint Managing Director; Mrs. S. Latha, Executive Director; Mrs. P.V. Jeeva, Chief Executive Officer; and Mr. V. Balaji, Chief Financial Officer of the company.

I would now like to hand over the call to the management for opening remarks. Thank you and over to you, sir.

P. Sundararajan: Thank you. Good afternoon, everyone. I welcome you all to the post earnings conference call for Q4 and FY25 of S.P. Apparels Limited. Before I take you all through the performance and updates on the company's various segments, firstly, we will take you through the industry updates, followed by our business performance.

The U.K. India free trade agreement establishes India as an important player in global sourcing strategies, providing a 10% duty advantage over China and enhancing its appeal as a sourcing destination amid political uncertainties in Bangladesh. This agreement eliminates tariffs on nearly all Indian textile and apparel exports to the U.K., allowing for expanded exports and increasing trade going ahead.

With government support, rising global demand and low labor cost, India is positioned to gain a larger share in the global apparel market. The FTA is expected to bring more business and orders to India, benefiting textile industry by creating opportunities for manufacturing and sourcing. We at S.P. Apparels are focused on exploring partnerships with the U.K. retailers to take advantage of the opportunities and capitalize towards growth.

With regard to our business performance, I'm pleased to share that FY25 has been a significant year for S.P. Apparels. This year marks our first full year consolidation following the acquisition of Young Brand Apparel, and we'll continue to focus on expanding our presence in Sri Lanka due to its geographical proximity, favorable labor availability and production flexibility.

Our strategy centers on acquiring customer approved factories in Sri Lanka, allowing us to quickly ramp up production and significantly reduce our gestation period. This approach provides a distinct advantage over establishing new factories in India, which typically requires about a year to set up and stabilize.

Now I would like to move forward to business update segment-wise. **Our Spinning and Dyeing division**: After navigating challenges in the past due to fluctuation in the cotton price, we are now experiencing stability with both cotton and the yarn prices remaining steady. Our dyeing unit is operating at full capacity, reflecting our commitment to quality and efficiency.

Moreover, we are actively expanding our printing and embroidery capacities to meet the evolving needs of our customers. In addition, by increasing our capacity by acquiring factories in Sri Lanka, this will help us to feed the entire back-end facilities like spinning and dyeing with 100% utilization of the capacity.

Commenting on the Garment division, during FY25, we aim to improve our utilization levels, and we have successfully achieved the same as reflected in our results. We reached a utilization rate of 85% in FY25 compared to 76% in FY24. I'm pleased to report that in the past 3 months, there has been a good growth in terms of capacity. Our new project in Sivakasi is operational.

Last year, our capacity utilization was 85%. We have added 3 factories this financial year and have added 700 machines to the overall capacity. We are expecting to increase another 300 sewing machines to the current capacity by March 2026. This will enable us for significant growth in capacity in the company.

The current order book status is INR442 crores. Another growth driver for the Garment division is our geographical expansion in Sri Lanka. We see significant potential in this market given the availability of operational factories and skilled workforces. This expansion also offers, with operational flexibility between Tirupur and Sri Lanka, to execute orders.

Our strategy is to acquire customer-approved factories, which will enable us to secure orders quickly and scale up production flexibility. Building on this momentum, we have already acquired a factory, which shipments are underway. Going ahead, we plan to expand our capacity to around 2,000 machines in the next one-year time and achieve a top line of INR400 crores by FY27 from Sri Lanka operations only.

With regard to Young Brand Apparel, FY25 marks the first full year of consolidation post acquisition, and I'm happy to report impressive results under our stewardship. We are planning to lease out a facility near Salem with 300 sewing machines capacity. This is an asset-light model, which involves leasing the building while utilizing the existing machines. This will increase the installed capacity to 1,700 machines, of which next year by now, we will be able to operate 1,500 machines.

With regard to SPUK, our revenue for Q4FY25 was GBP 1.66 million and GBP 5.22 million in the FY25. Our current order book is valued at GBP 4.5 million, while we experienced a temporary decrease in revenue due to customers holding excessive inventory, which led them to push orders deliveries to the subsequent quarters. However, we anticipate that this will positively reflect in the coming quarters. After a year of transition that included relocating our office, team restructuring, and addition of new customers, we are optimistic about making SPUK a profitable venture.

Additionally, I am pleased to share that we have successfully established partnership with factories in Sri Lanka for SPUK business on an FOB basis. With this positive momentum, we are on track for improved performance starting from Q1FY26, and we anticipate FY26 to be a robust year for SPUK.

Regarding the retail division, SP Retail Ventures reported a revenue of INR23.3 crores during the quarter compared to INR25.4 crores Q4FY24. FY25 revenue stood at INR 79.4 crores compared to INR 82.9 crores. The incurred continuous losses are primarily due to unfunded cash losses. We are in the process of expanding Angel & Rocket, a U.K.-based brand.

Consistent with our previous communications, we are exploring equity fundraising options to fuel growth within our retail business. We expect this process to be completed by Q2. And post completion, we anticipate the retail segment to turn profitable. During Q4 FY25, Crocodile saw a revenue of INR 17 crores and Angel & Rocket stood at INR 5 crores.

The outlook is, in summary, as we move forward, our strategic capacity expansions through acquisitions of well-established and operational factories position us well for significant growth. By end of FY26, we anticipate to operate approximately 7,500 machines, which includes Young Brand Apparel also. With this, we aim to achieve a top line of INR 2,000 crores by FY27.

Thank you, and over to Mr. Balaji, our CFO.

V. Balaji: Thank you, sir. Good afternoon, everybody. I'll just run through the financial performance of the company. On a standalone basis, for Q4FY25, adjusted revenue stood at INR 279 crores, which is at a growth of 10% year-on-year. Adjusted EBITDA margin stood at 16.2% and PAT for the current quarter stood at INR 24.7 crores with a PAT margin of 8.8%.

Our EPS stood at INR 9.9 per share for the current quarter on a standalone basis. On a standalone basis for the whole year FY25, we have done an adjusted total revenue of INR 984 crores and an adjusted EBITDA of INR 164 crores with an EBITDA margin of 16.7% and with a PAT of INR 83.5 crores with a PAT margin of 8.5%. Our EPS stood at INR 33.3 per share for the whole year.

On a consolidated basis, our total revenue for the quarter stood at INR 403 crores, which is at a growth of 35.9% year-on-year. And our EBITDA stood at INR 58.5 crores at an EBITDA margin of 14.5%, and the PAT stood at INR 30.4 crores. Our EPS for the current quarter stood at INR 12.1 on a consolidated basis.

For FY25, our total revenue stood at INR 1,407 crores, which is at a growth of 27.5% year-on-year, and the EBITDA margin of INR 200 crores with a growth of 14.9% year-on-year. PAT stood at INR 95.1 crores, which is at a growth of 6.1% year-on-year. Our EPS for the whole year stood at INR 37.9 per share.

On segment-wise performance, in Garment division, including Young Brand Apparel, our FY25 adjusted revenue stood at INR1,308 crores, a growth rate of 39.4% year-on-year with an adjusted EBITDA of INR 212 crores with a growth of 28.2% year-on-year. Our SPUK FY25 revenue stood at INR 75 crores at a growth of 31.3% year-on-year. And our retail revenue stood at INR 79.4 crores during the financial year FY25.

On the debt position, our gross debt on a standalone basis stood at INR 235 crores. And on a net debt basis, our net debt is INR 205 crores on a standalone basis. On a consolidated basis, our net debt is INR 335 crores. All other information is available in the presentation.

Now I would request to the team to take up the question-and-answer session.

Moderator: The first question is from the line of Rehan from Equitree Capital.

Rehan: Sir, I just had a couple of questions, if you can help me understand. So right now, as per my understanding, we are at about 5,200 machines, including YBAPL. Is that correct? 5,200 to 5,300?

V. Balaji: No. Currently, as on 31st March, we are at 4,950 capacity.

Rehan: Okay. And what would be the split between both, if you can help us understand?

V. Balaji: Both means? I don't understand.

Rehan: Like including YBAPL and garmenting together, 4,950

V. Balaji: If you include YBA, then our total capacity would be around 6,300 machines.

Rehan: Okay. This is as on 31st March, right?

V. Balaji: Yes, correct. Correct.

Rehan: Okay. And how many machines are we adding in Sri Lanka?

V. Balaji: We are looking to add 2,000 by end of March 2026.

Rehan: So, this would take this count to how much from here, 8,300?

V. Balaji: Yes, correct. Correct. Correct. And we are also adding another 1,000 machines in India for FY26.

Rehan: Sorry, I couldn't hear you. Another 1,000 machines for?

V. Balaji: In India, we'll be adding another 1,000 machines.

Rehan: Right. So that total count becomes 3,000, and you're adding, I think, 300 more in YBAPL as well?

V. Balaji: Correct. Correct.

Rehan: Right. So that takes a count of about 9,000-odd machines over the next 1.5 to 2 years?

V. Balaji: Yes, yes.

Rehan: Right. Thank you for that clarification. Coming back to your Sri Lankan entity, I think the subsidiary was incorporated in late of 2023, 16th October, if I'm not wrong. Since then, do we have any form of revenue from Sri Lanka, any business?

V. Balaji: No, no, no. Even though the subsidiary was incorporated, we commenced business only during January 2025.

Rehan: Understood. But from January 2025 till now, after the stage where your suppliers come and give approvals of the production facility, have we sent out any samples or shipments yet?

V. Balaji: Yes, we have done shipments.

P.V. Jeeva: Yes, we have done the shipment of INR 5 crores since January to March.

Rehan: Understood. And for this year alone, which is FY26, how do we look at it, ma'am? How much of revenue do we expect from Sri Lanka?

P.V. Jeeva: Sri Lanka, we are expecting 1,000 machines. So, it is about INR 200 crores in FY25-26.

Rehan: In FY26. Got it. And how much can we expect from Sivakasi, about INR 50 crores in the second half is achievable for us?

P.V. Jeeva: Actually, it's up and running. It's only 85 machines at the moment. By end of this year, we can run about another 100, so it will be 200. We can expect INR 35 crores to INR 40 crores from Sivakasi.

Rehan: For the full year, right?

P.V. Jeeva: Yes, full year, yes.

Rehan: Right. Okay. And for YBAPL, are we having any capacity expansion in this year? Or are we going to be around the INR 350 crore mark?

P. Sundararajan: Chenduran, can you answer this question, please?

Chenduran Sundararajan: Okay. So Young Brand, I think this year, we are at INR 325 crores. So next year, there will be a slight improvement. So, we will be closer to INR 350 crores because of the expansion in the Salem plant where there's going to be 300 additional machines, but that will be fully operational only from the second half of the year. So, there will be definitely some growth, but the majority of the impact will be next financial year, where we will be closer or higher than the INR 350 crores.

Rehan: As on date, what is the amount of machines you have in the Young Brand, 1,300 or 1,500?

Chenduran Sundararajan: Installed machines are 1,400 and the utilized machines is around 1,150.

Rehan: Okay. And that would increase to about 1,700 in total capacity, right? And proportionately your utilization?

Chenduran Sundararajan: Yes, correct.

Rehan: Sorry, you were saying something?

Chenduran Sundararajan: No. Sorry, go ahead.

Rehan: Balaji, sir, I just had a question on bookkeeping question. What would be the contribution from spinning for the quarter? Spinning entity, the yarn business, what would be the contribution for the quarter?

V. Balaji: For spinning, it should be around INR 6 crores for this quarter.

Rehan: For this quarter alone? EBITDA would be about INR 6 crores?

V. Balaji: Yes, yes.

Rehan: And how much would be for the full year?

V. Balaji: This year, full year, it was around INR 14 crores.

Rehan: INR 14 crores?

V. Balaji: Yes.

Moderator: The next question is from the line of Resham Jain from DSP Asset Managers.

Resham Jain: First of all, congratulations on very good integration and execution of Young Brand. And as guided, 15% margin is what you have achieved. So good achievement. So, sir, I have three questions. First is with respect to the overall capacity because you are adding machines at various levels.

So, if you can just help with the total revenue potential from existing capacity which you have, which is underutilized, and the expanded capacity, whatever you are planning across Sri Lanka, Young Brand in Salem and all, what will be the total revenue potential, let's say, by FY27. By then all the capacity would have completely ramped up. So, if you can help with that number, approximate?

V. Balaji: So, in terms of location-wise, if you look at what we have in India for the Garment division, we have 4,950 sewing machines as of today, and we are looking to go to 6,000 by March 2026. And capable number could be around INR 1,200 crores of absolute exports alone for 6,000 sewing machines.

For the Sri Lankan operation, we are planning for, again, 1,750 to 2,000 machines by March 2026, which could yield around another, say, INR 400 crores for FY27. On the Young Brand, I guess, we will be at 1,700 sewing machines by March'26, and it should yield INR400 crores of revenue for FY27. Hope I have given clear numbers.

Resham Jain: Okay. So basically, INR2,000 crores closing run rate of FY '27. Is that the right understanding? Because it will ramp up gradually?

V. Balaji: Yes, correct.

Resham Jain: Understood. Got it, sir. Sir, so all this expansion mostly either will be happening at a very low capex is what I understand, because Sri Lanka also is more or less asset-light for you. So, let's say, over the next 2 years, beyond FY27, and given that generally, there is a good sentiment and inquiry pipeline in the industry, are you looking at more capex beyond what you have already kind of planned for, because if you have to put up a large capacity with dormitory and hostels and all, it will take 1.5 years' time. So, are you planning anything beyond FY27 right now?

V. Balaji: So, like today, we have spoken about 50% capacity addition for next one year. At least for next 2-3 years, we would like to consolidate on the capacity, grow, optimize, sweat the assets and then try to move to the next level. So today, we have addressed the capacity growth and scaling up also.

P. Sundararajan: Yes. I think in the near future, definitely, we don't see any major capex in terms of increasing the capacities, excepting for minor maintenance and other things. And there is no need for the investment into the hostel also because we already have enough hostel capacity. So, whatever we are increasing for example, Sivakasi, no need for the hostel, and the Trichy factory, we don't need the hostel. So, the existing.

So, all together, we plan for 700 machines to grow in this year. We are not going to have any additional capex. All capex have been done, the major capex. With regard to Sri Lanka also, some minor capex will be required. Otherwise, this year, whatever the 4 factories we acquired, that is it. For the next near future, we don't see any capex investment.

Resham Jain: Understood. Okay. And sir, lastly, on the Young Brand, you've already achieved 15-odd percent margins. I think at the standalone level; you make close to 17%-18% margin. I presume that will be including the integration of processing and spinning, that will also be a part of it. So should one understand that this is the optimal margin at Young, or given the product mix at Young, margin can further see an improvement?

P. Sundararajan: Chenduran will answer this.

Chenduran Sundararajan: Yes. I mean it can see an improvement. It will most likely touch what the standalone parent company's EBITDA will be. So, there is scope of improvement, even though it's not fully captive. I think there could be improvements on the efficiency front definitely because of the category of products that Young Brand are doing.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Firstly, congratulations on a great set of results, sir. hopefully, I'm audible.

P. Sundararajan: Yes, yes.

Darshil Jhaveri: Yes. So, sir, just wanted to know, so basically, like if to summarize, we are currently at around 4,950 machines, and we are basically doubling our capacity by the start of FY27. So, I wanted to know like in this year itself, we are, I think, adding around INR 200 crores of Sri Lankan operation. So, what kind of revenue can we achieve in the current year, sir?

V. Balaji: So, your number in terms of 4,950 is only the standalone number, where you need to include the Young Brand 1,350 already, which is to be added. And this INR200 crores in terms of revenue what we are trying to improve for the current financial year comes from the new capacities that are added in Sri Lanka.

Darshil Jhaveri: Yes. Correct, sir. So just for FY26, because we already had around INR 1,400 crores revenue. And I think we are speaking about FY27 reaching INR 2,000 crores. So, what kind of like numbers can we do in FY26 in terms of revenue?

V. Balaji: FY26 revenue, I would say that anywhere in between INR 1,400 crores what we have achieved and INR 2,000 crores what we have given as guidance in terms for FY27, because we are not sure about the timeline in terms of how the Sri Lankan factories are completed in terms of the acquisition. And we need to get the customer clearance also. So, there could be, say, INR 200 crores of additional revenue, we can end up INR 1,600 crores, INR 1,650 crores of revenue for FY26.

P. Sundararajan: Yes, between INR 1,600 crores to INR 1,800 crores, including the standalone companies, S.P. Apparels' additional capacity of Sivakasi and other things, and put all together, I think we expect as a consolidated number of between INR 1,600 crores to INR 1,800 crores.

Darshil Jhaveri: Okay. Okay. Fair enough, sir. That helps a lot, sir. And in terms of margin, like we've been increasing our margins quarter-on-quarter. So, our Q4 margins can be our new base, right, because I think we'll have higher revenue and operating leverage. So FY26, we can see higher margins than current year?

P. Sundararajan: Still, we go with the same statement of, say, average of 18% EBITDA as a consolidation.

Darshil Jhaveri: On a consol level?

P. Sundararajan: Sorry, not on consolidated.

V. Balaji: On standalone basis, we are guiding for an 18% EBITDA.

P. Sundararajan: And Young Brand, we expect to improve from 15% to maybe 16% or 17%, which we are yet to see.

Darshil Jhaveri: Okay. Fair enough, sir. And sir, just one other last one from my end. So, sir, I think this year will be maybe like a capacity addition year, and we're already maybe seeing somewhere between INR 1,600 crores to INR 1,800 crores revenue we are planning to get, sir. So maybe FY27, if all goes well, we could have a very big bumper. Will that be fair? Because I think somewhere I feel INR 2,000 crores is a slightly conservative number, if I may, sir.

P. Sundararajan: We don't know. See because this is a very dynamic industry, anything can happen. Trump has changed some of these policies. Anything can happen.

V. Balaji: Not Trump alone. One, Trump's tariff issues. There can be something that comes from the EU. Geopolitical thing today is something which is unpredictable.

P. Sundararajan: So, we always aim for more than INR 2,000 crores. Let's see.

Moderator: The next question is from the line of Rupesh Tatiya from Shree Rama Managers PMS.

Rupesh Tatiya: Congratulations on a good set of numbers. I am a little bit new to the company. My first question, sir, is there is another children wear manufacturer in India who is putting a very large capex in Andhra Pradesh, Telangana. It's really massive. And I mean, it's going to come online slowly over the next 2 years.

So how do you see the pricing pressure or margin pressure because of that? And the reason I ask you that is, it's a very debt-funded capex. So then once you have that, the focus really is on the revenue rather than margins from the other players' point of view. So that is my question number one.

V. Balaji: See, we don't generally comment on somebody's numbers. But for us, we feel that we will be able to achieve the guided EBITDA margins of 18% for next 1-2 years. Given the geographical position, there could be some. Last year, we have done 17%, this year, we have done 16.6%. It's purely because of the inefficiency in the capacity, that's it. But we intend to move to 18% going forward. So, we don't want to comment on others.

Rupesh Tatiya: But what gives this confidence? I mean, if the other player or the industry drops prices, you will have to match, right? So, what is the 1 or 2 factors that is giving you this confidence?

V. Balaji: See, it's about the customer relationship. So, any customer which we are working with have been working with us for 4 decades. And moreover, all the demand is now today, the China plus factor, the Bangladesh issues and FTA which has come, everything is pro India. So, I guess, at least for next 2-3 years' time, textile in India will be the most preferred industry is the confidence.

Rupesh Tatiya: Okay. Okay. So significant demand growth. Okay. The second question, sir, is SPUK, can you give some idea about how will FY26 and FY27 look like?

P. Sundararajan: FY26, for SPUK, we are working all the way out now the shifting of the offices from Leicester to London, all settled, the team settled, designers and the merchandisers, sales team, and customers, all set now. Now we have to start running. That's the kind of a situation. Like we expect Q1 to do close to GBP 2 million for Q1 and Q2 will be close to GBP 2.5 million. And we have budgeted for the whole year to be close to about GBP 9.5 million to GBP 10 million, which is more than enough to turn around to be profitable one. We'll be on track.

Rupesh Tatiya: Okay. And FY27, sir?

P. Sundararajan: FY '27 what I'm talking about is for FY26, the current year. Currently, we have the order book around...

V. Balaji: GBP 4.4 million.

P. Sundararajan: Yes, GBP 4.4 million already. So, we will be able to close between GBP 9 million to GBP 10 million for FY26.

Rupesh Tatiya: That I understood, sir. GBP 10 million for FY26. I'm asking what would -- I mean there will be a significant ramp-up in profitability, jump in FY27.

P. Sundararajan: See, what happened all these years, in the last few years, we have been settling down with the customers with so many geo-mix, like Sri Lanka and India. The whole strategy of SPUK has been completely restrategised. So, bringing new customers and bringing in new source of countries for manufacturing, all put together and relocating from Leicester to London, all these things are now done.

And we have in the back end about 5-6 customers. Each customer can easily do at least about GBP 2 million to GBP 3 million per year easily. So, every year, there will be a growth from each customer to a minimum of 10% growth. So, FY27 should be at least about GBP 12 million to GBP 14 million.

Rupesh Tatiya: Okay. Okay. That's very clear, sir. And then final question is, if you can give an update on the retail. I think one brand we closed and then I think signing up one new brand, then capital raise. So all aspects, if you can address. And is demerging retail, listing it separately, is that in the realm of the possibilities over the next 2-3 years?

Chenduran Sundararajan: Okay. So, I think in terms of the retail, to your first question, we have exited from the agreement with the Head Brand, which was a licensed agreement for 5 years, and that ended by December. And whatever inventory and whatever stock we had, we had to clear it. And the losses with the brand, we acted on it in 3 years, but then it still took 1.5-2 years to completely come out of it. And now that's done. And the brands that we currently operate, one is Crocodile, which is a licensed brand. We've been running it for 17 years now. And the other is a kids wear brand called Angel & Rocket.

And I think the concentration is 80% is Crocodile versus 20% is Angel & Rocket. And Angel & Rocket is still making some losses because of investment towards marketing, specifically digital marketing, whereas Crocodile in Q4 has touched EBITDA breakeven, which is what we wanted to do before the end of the financial year.

And going forward, there is, as CFO said during the introduction that we are planning to raise equity initially, which should be done by end of Q2, and the demerging will happen. And there are plans to get it listed separately in a few years' time. So probably it will take 3 years from the equity coming in.

Rupesh Tatiya: Just one final quickly. Sri Lanka business, can you give some idea about the margins because the model is a little bit different, their outsourcing model. So, if you can give some idea about the margins on Sri Lanka?

P. Sundararajan: As far as Sri Lanka operation is concerned, we look at it as an extended, one of the factories what we are doing here, about 20 factories in India and add another about 5 factories in Sri Lanka. And we look at it as a job working for our main office, back office in India, S.P. Apparels Limited. So, it's only a job. We send the raw material and ship from there. That is how we operate it. And then conversion cost will be, the profit will be taken.

V. Balaji: See, we are now just in the process of setting up the factories. We will not know how the factories will turn up. So we currently feel that it is an extended arm of S.P. Apparels India. Whatever business comes from Sri Lanka will be part of the standalone business. So currently, when we give guidance, it is including Sri Lanka business also. But however, we need to look at how things land and then give you guidance on the EBITDA margins for Sri Lanka business separately. Maybe by March '26, we'll give you a guidance separately.

P. Sundararajan: But Sri Lanka shipment sales also will be booked in India, S.P. Apparels.

Rupesh Tatiya: Okay. Okay. But sir, logically, is it a fair assumption that margins might be 2%-3% lower, but the capital efficiency will be higher? Is that a fair assumption?

V. Balaji: ROCE will be better. The margins will be lower.

Moderator: The next question is from the line of Avinash Nahata from Parami Financial Services.

Avinash Nahata: So, my question pertains to the revenue numbers which we are speaking based on 9,000-odd machines and all. So, are we talking this on a single shift basis across our 25 plants, 20 in India and 5 in Sri Lanka?

V. Balaji: Sorry, can you come up on the...

P. Sundararajan: Are we planning for single shift? Yes.

Avinash Nahata: No. I'm saying whatever calculations we are doing, is it all on a single shift basis?

V. Balaji: Yes, yes.

P. Sundararajan: Excepting 1 factory. No, no, all single shift only.

Avinash Nahata: Sorry, you guys are not audible. Can you come again?

V. Balaji: Single shift only.

Avinash Nahata: Okay. So, is there a possibility have you attempted 2 shifts in any of our factories or it is not possible as of now?

P. Sundararajan: Not practically. There's a lot of difficulties. So, we are not putting it out for Sri Lanka, at least. So, we will wait and see.

P.V. Jeeva: Yes, we have tried 1 or 2 factories, but that was not successful. So, we closed it out. So, we are planning for only single shift even this year or next year, too.

Avinash Nahata: If you can just spare 1 minute, what are the practical difficulties you face when you're trying to do it?

P.V. Jeeva: No, getting the manpower for night shift, because here, most of them are ladies. So the ladies, they don't want to travel in nighttime and the closing hours also in the midnight, 2:00 or 3:00 like that. So, their home, their parents, or husband, they'll not allow to work in the night shift. So the attrition is also biggest issue in the night shift. So, considering all these points, we thought, okay, better to drop night shift.

Moderator: The next question is from the line of Aabhash Poddar from Aionios Alpha Investment Management.

Aabhash Poddar: So just wanted some understanding on Young Brand would be helpful, because we are growing from INR1,400 crores to INR2,000 crores in the next couple of years, but the contribution from Young Brand seems pretty less, particularly for FY26 as well. I would have thought you would be able to get more customers from U.K. as well from Young Brand. So just some context on growth there. How do you see it by end of FY27? And do you think there's more potential here for growth, at least in terms of top line?

So that's question number one. And just attached to that, a smaller question. Are you seeing any impact because of tariffs in the near term? So, is there a hit on the margins in the next 1-2 quarters just because of the way the tariffs uncertainty sort of playing out? So, if you could just talk about these 2 points, please?

P. Sundararajan: Chenduran?

Chenduran Sundararajan: Yes. So, I think in terms of Young Brand, the first question was about the growth and the contribution to the overall revenue in the next couple of years. As it stands, as I said, when we took over, the top line last financial was just below or around INR300 crores, and now we are at

INR325 crores. And this year, we're projecting to be at INR 350 crores. And probably in the next couple of years, the contribution, the maximum that can come from Young Brand with the existing setup, better utilization efficiency would be INR 400 crores to INR 420 crores. And that's still, I think, roughly is around 25% contribution on the overall revenue.

And on the second question, in the short term, there's a very minimal impact on the tariff. To be very honest, a couple of customers have been talking about it, but it's been passed on to the raw material suppliers who are nominated by the customers. And there's only one customer where there is a very small impact. So it won't be significant that it will impact the bottom line. Very minimal, negligible.

Aabhash Poddar: Okay. Perfect. So basically, you would be pretty happy with the way Young Brand is going as of now. And with the growth as well, as a management, you guys are really satisfied with the progress that you see here?

Chenduran Sundararajan: Yes, yes. At the moment, we are very happy with what we've seen, because we barely had 3 quarters, and we've done quite well compared to how Young Brand have done even before us. But we don't want to quickly jump into expansion mode or give higher commitments. So we would want to take at least 2 full years and then decide on how quickly we can grow.

And as we said earlier, there is plans to expand within the capacity in Salem, where we already have the machines and the building. So we will try that as a pilot this year. And if the 300 machines runs well, then we can possibly look at increasing further. But yes, we don't want to really push that since we've not even completed 1 full year.

Aabhash Poddar: Perfect. Perfect. And second is more of a bookkeeping question. If you could just talk about what particularly transpired in working capital this year, because it seems a big stretch at the end of the year. So, is there anything you would like to call out? Does this sustain or go back? If you could just talk a bit on the working capital?

And attached to that, if you could just talk about the debt number. So if we look at the net debt number, you highlighted it at INR 335 crores. By the end of 2 years, where do you think this number can be approximately? Just your thoughts on these line items.

V. Balaji: So, in terms of the debt, I guess, you're looking at INR 335 crores, which is including the long term and the short term. So short term is the debt which is significantly higher now. That is purely because of the acquisition that we have done in terms of the Young Brand Apparel and the factories that what we have done in India. And also, we are in the process of supporting the acquisition in Sri Lanka also.

So, by March26, I guess, we should stay at the same number in terms of overall numbers, because we are looking at adding more machines for the current year. And maybe by 2-3 years down the line, we should see significant reduction. Maybe we'll stabilize around INR 200 crores of working capital limit for a top line of INR 2,000 crores for the whole year.

So, I guess Mar '26, we will be at the same level. And going forward, we would like to bring down, because once we complete our expansion cycle, then we can consolidate to reduce the debt.

Aabhash Poddar: Yes. And, sorry, on the working capital, please?

V. Balaji: Yes. Significant amount is only working capital. I guess of the INR 335 crores, working actual will be around INR 290 crores.

Aabhash Poddar: No sir, I meant, this year we have seen, at the end of the year, there's an increase in the working capital. So, any particular reason for that? And is this the new normalized cash revenue?

V. Balaji: I told you in the beginning that there is an increase in the working capital. It's purely because of the acquisition what we have done with Young Brand Apparel. So, we have used all the money which we have kept on liquid funds for acquisition of Young Brand Apparel during the current financial year.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Securities.

Prerna Jhunjhunwala: Sir, just wanted to understand the U.S. demand from Young Brand Apparel's point of view. How are the customers reacting? Who are your major customers there? And how do we see that business in the near term given the tariff situation?

Chenduran Sundararajan: Okay. So on the U.S. customers, as you know, I mean, Young Brand predominantly is U.S. customer based, and initial feedback from the customers that there's definitely a bit of panic on the tariff, especially with the current orders. But longer term, they're all confident that the retailers will have to increase the retail prices, and it's a uniform call that all the retailers will have to take if it fully goes through.

But the positive which we've seen from India side is that a lot of other countries which are competition for India, the tariffs proposed have been much higher than India. India is probably the least among the competition. So that is an advantage. But we've not had conversations with customers about how that can impact more business into India. But we feel there's a lot of potential those orders from neighbouring countries could come into India as well based on the tariffs, if it stays as it is.

V. Balaji: So, if I can add one more point here. If you look at the multiples what the retailers are looking at, so 4x - 5x is the multiples in terms of what they sell. And if this 10% or 15% increase, which is happening because of the tariff, on the 1x, I think moving to the customers will be easier than pushing it to the suppliers.

Prerna Jhunjhunwala: Obviously, that will be the end goal for most of the retailers. But in near term, will the margins be impacted in the first half or in first quarter that you would like to call out? And how much is what I wanted to understand as well?

V. Balaji: I guess every day there is a new tariff message that is coming up. So let us wait for it to get implemented and then let us look how it is reacting, because today there is a message from people saying that it has been kept on hold by the courts. So let us wait.

Prerna Jhunjhunwala: Okay. No problem, sir. And in between, like till the time you don't have any clarity, but the shipments are happening. So, what is happening to those orders? How should we look at, I mean, how are you booking them?

V. Balaji: Prerna, currently, it's all like on the FOB basis and the POs are released and we are making sales. So currently, there is no tariff impact at all.

P. Sundararajan: And they've been given 90 days.

Chenduran Sundararajan: Yes. So, they've given a window of 90 days. So, there's a lot of shipments that the customers will also want to get in within that period. But there were a couple of conversations on the sharing, as I told earlier to one of the questions that they really want to pass this between the entire supply chain with the raw material suppliers, nominated suppliers. So, there is a bit of sharing between everyone, but it is not a lot. It's not very significant that it will affect the numbers.

Prerna Jhunjhunwala: That's really helpful. And sir, in terms of U.K. FTA, you are one of the major beneficiaries given that you have a good exposure to U.K. Are clients talking about increasing the exposure materially or you would be wanting to add on new customers given that the geography opens up with 0 tariffs maybe in next calendar year when the FTA is ratified?

V. Balaji: Yes, because of FTA, we will have an increase in customers.

P.V. Jeeva: Yes, actually, the existing customers, they want to increase the capacity, and they are looking for more capacity from the existing suppliers. So, we have no chance of going for new customers. So, for at least next 1 year, we are going to stick on with the existing customers.

P. Sundararajan: But already we are doing 1 or 2 American customers. So, we are not ruling out increasing the capacity of American customers. So, the FTA is definitely a benefit to the importing customers only, the brands, the retailers, because they get the benefit. And as far as we are concerned, we get more orders. We are at par with Sri Lanka and Bangladesh. So that is the advantage. And subject to, we have to increase the capacity, because already most of the factories are running full.

With the FTA, there are more orders coming in. So, everybody is working on increasing the capacity. It will take over a period of time. So, we are trying our best to add 1 or 2 more customers because Sri Lanka opening is there for us. So, we will be able to accommodate some more customers, including Sri Lanka capacity.

Moderator: The next question is from the line of Anil Chaurasia from SMIFS Limited.

Anil Chaurasia: Sir, only two questions. One, in the cash flow statement, there is one item, investment in subsidiaries, which is to the tune of INR 137.3 crores. So what exactly is this amount sir, in which subsidiary and what it is leading to, for what purpose?

V. Balaji: You are talking about a subsidiary company called Young Brand Apparel, where I have invested money in shares and that is the reflection of last money.

Anil Chaurasia: Okay. Fine. And secondly, sir, can you provide us geography-wise breakup of revenue if possible, on a consolidated basis?

P. Sundararajan: Sorry? Geography of?

P.V. Jeeva: Revenues, geographical revenues.

V. Balaji: I guess 25% will be U.S., 25%, 30% will be Europe and 45% will be U.K.

Moderator: The next question is from the line of Resham Jain from DSP Asset Managers.

Resham Jain: So just two clarifications. One is, what is the capex you have planned for FY26?

V. Balaji: In India?

Resham Jain: Overall. Consolidated?

V. Balaji: Consol capex should be around INR 60 crores in terms of capex. For Sri Lanka, the $6 million unsecured loan transferred to the subsidiary company.

Resham Jain: Okay. So, from a cash outflow perspective, INR 60-odd crores, aggregate?

V. Balaji: INR60 crores plus INR16 crores.

P. Sundararajan: INR60 crores plus $6 million.

Resham Jain: But that is transfer of machines only, right, you mentioned?

V. Balaji: No. Transferred to the subsidiary company by way of unsecured loans.

P. Sundararajan: In Sri Lanka.

Resham Jain: Okay. In Sri Lanka. So INR 60 crore is India plus Young Brand and INR 60 crores is in Sri Lanka, INR 120 crores?

V. Balaji: Yes.

Resham Jain: Understood. Understood. Clear. And secondly, sir, this Young Brand overall acquisition, what amount we paid is close to INR 150 crores, INR 160 crores, right? Is that correct understanding?

V. Balaji: INR 167 crores.

Resham Jain: INR 167 crores. And now we are doing a cash generation of close to INR 40 crores-50 crores on an average. So 3-odd years of payback period.

V. Balaji: Yes.

Resham Jain: Okay, perfect. Just wanted to clarify that.

V. Balaji: 4.15 years.

Resham Jain: Okay, okay. Perfect.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

P. Sundararajan: Thank you. I trust that we have addressed all of your queries with clear responses. I would like to express my gratitude for your active participation in this conference call and for your keen interest in the company's progress. I just want to reiterate our commitment to excellence and our focus on delivering long-term value to all our stakeholders.

We are optimistic about the potential for growth in the garment industry. With this in mind, we remain confident that our narrative of revenue growth is robust and that we will see margin improvements going forward. We are confident that the strategic decisions we are making will yield positive results in the upcoming quarters and the year ahead. Thank you.

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