



“S.P. Apparels Limited  
Q1 FY26 Earnings Conference Call”  
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**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 Q1 FY26 Earnings Conference Call, 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Perna Jhunjhunwala from Elara Securities for her opening remarks. Thank you, and over to you, ma'am.

**Perna Jhunjhunwala:** Thank you, Shruti. Good afternoon, everyone. On behalf of Elara Securities Private Limited, I would like to welcome you all to Q1 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; Mrs. S. Latha, Executive Director; Ms. S. Shantha, Joint Managing Director; Mr. S. Chenduran, Joint Managing 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, for joining us to discuss the performance of Q1 FY26. The first quarter of FY26 has been one of both transition and opportunity for S.P. Apparels. Global trade dynamics are shifting, particularly with the recent duty hikes in the U.S. However, our diversified market presence, strong customer relationships and proactive capacity expansions have enabled us to respond faster than many peers.

**The industry update is,** the textile export sector faces headwinds from the recent U.S. tariff changes, though, it is still early to gauge the full impact. At SPAL, U.S. exposure keeps direct risk contained.

Our Sri Lanka facility has another layer of operational flexibility and acts as a hedge against tariff-related disruptions. The Young Brand Apparel segment, being more U.S focused, has seen softer demand. We are mitigating this by pursuing opportunities in the Europe, with early discussions already underway.

The recent UK FTA has supported growth with the stronger order volumes and deeper engagement from existing UK customers. This reinforces the strength of our diversified approach.

**Let me begin with the Garment division.** Cotton and yarn prices have remained stable, providing a steady operating environment. Our dyeing unit is running at full capacity, underscoring our commitment to quality and efficiency. And we plan to increase its capacity by about 6 tons per day.

In addition, we are actively enhancing our printing and embroidery facilities to cater to the evolving requirements of our customers. As you know, the US accounts for roughly 10% of our revenues, so while the recent import duty hikes will have some short-term impact there, our exposure is limited, and our portfolio is well hedged through strong European and the UK demand. What we are seeing in the US is large retailers splitting their sourcing strategy essentially keeping a separate supply chain for US bound products while pricing differently for other markets.

**Over in the UK,** business remains very strong. Long-standing customers continue to scale with us. Now, we are keeping a close eye on the proposed India-UK FTA. While it could bring more competition into the market, our deep positioning in the Babywear niche gives us a natural moat.

In Europe, the momentum is equally encouraging. Several brands are actively talking to us, and there is a noticeable shift in sourcing away from Bangladesh that is opening more opportunities. **With regards to Young Brand,** the duty hike in the US or headwinds for certain categories, particularly where Bangladesh retains a cost advantage, our response has been to move faster in Europe and UK, widening our customer base so that revenue growth is not dependent on one region.

**Regarding SPUK business,** we are in a sweet spot. This business is insulated from US duties and could be a beneficiary of the India-UK FTA, which we expect to come into effect by March next year. That will enhance margins and deepens already strong customer relationships. SPAL is similarly well shielded. US exposure here is only about 10%, and the customer base is steady.

We do have the flexibility to move some woven products to Sri Lanka while continuing to produce major items in India. Margins should hold steady unless there is an extraordinary cost situation, in which case, our customers have typically shared the load.

**On retail brands,** Angel & Rocket is right on track to break even this year. The small pre-operative loss in Q1 was fully expected it is just part of the investment phase as the brand grows and transitions. **From the capacity standpoint,** our Sri Lanka operations are progressing exactly as planned. This is not a reaction to any single market change. It's part of our long-term plan to create diversified capacity for Europe and the UK, while giving us the flexibility to balance production between India and Sri Lanka. We are currently running about 650 machines in Sri Lanka. And by March 2026, we are targeting 2,000 machines that includes acquisition and job work.

Across the group, including Young Brand, we should reach around 7,800 machines by FY26 end. That capacity, including export incentives, will keep us on track for our FY27 topline targeting of INR 2,000 crores. **On the investments side,** we are adding 6 tons per day to our dyeing capacity, and our expansion at Salem of 300 machines is progressing well.

**Lastly, on customer acquisition,** and this is where the pipeline is looking very healthy, we have already added two customers from Germany, Mainland Europe. Post the completion of our two-factory acquisition in Sri Lanka by September-October 2025, we expect to onboard at least two more UK customers, another via a separate channel, and a US babywear customer through Sri Lanka by March 2026. All of this combined with the disciplined execution across every business line gives us confidence in delivering our growth and profitability targets for the year.

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

**V. Balaji:**

Thank you, sir. Good afternoon, everybody. I'll just run you through the financial performance of the company. On a standalone basis for Q1 FY26, adjusted revenue stood at INR 287 crores as against INR 213 crores year-on-year, which is a growth of 34.5%. Adjusted EBITDA stood at INR 43.7 crores against INR 36.2 crores year-on-year basis with an adjusted EBITDA margins of 15.2%, and the PAT for the current quarter stood at INR 19.9 crores, with a PAT margin of 6.9%.

Our EPS stood at INR 7.9 per share for the current quarter on a standalone basis. On a consolidated basis, our total revenue for the quarter stood at INR 405 crores against INR 248crores in Q1FY25, which is a growth of 63.3% YoY, and our EBITDA stood at INR 54.6 crores at an EBITDA margin of 13.5%, and the PAT stood at INR 20.7 crores. Our EPS for the current quarter stood at INR 8.2 per share on a consolidated basis.

On segment-wise performance, in Garment division, including Young Brand, our Q1 adjusted revenue stood at INR 372.9 crores against INR 274.6 crores in Q1 FY25, a growth of 35.8% year-on-year, with an adjusted EBITDA of INR 54.3 crores, growth of 27.0% year-on-year.

On SPUK, the revenue stood at INR 14.8 crores in Indian rupee as against INR 11.7 crores in Q1FY25, a growth of 26.3% YoY. Our revenue for Q1FY26 stood at GBP 1.3 million with the current order book value of GBP 3.97 million, and our Garment division order book status is INR 404 crores as of today. Our retail revenue stood at INR 14.9 crores during Q1FY26 compared to INR 14.8 crores in Q1FY25.

During Q1 FY26, revenue from Crocodile stood at INR 13.88 crores, while Angel & Rocket stood at INR 0.9 million. On the current debt position as on today on a consolidated basis is gross debt INR 382.4 crores and net debt is INR 327 crores.

All the other information is available in the presentation, and we will get into the question-answer session. Over to the moderator.

**Moderator:**

The first question is from the line of Shubhankar Gupta from Equitree Capital.

**Shubhankar Gupta:**

Actually, I have two questions. The first question is around the gross margins on a consolidated basis, which have fallen by 840 bps. So, I just want to understand what is happening there. And also, the capacity utilization is standing at 82% versus our target of 90%. So how do we see that going?

- V. Balaji:** On the gross margin front, I think it's purely on a mix. If you look at year-on-year gross margin, which has dropped is purely because Young Brand is getting consolidated for the first time here in Q1. So, there is a change in terms of gross margins.
- Shubhankar Gupta:** Okay. And what about the capacity growth? The capacity utilization stands at 82%.
- V. Balaji:** Yes. The capacity utilization stands 82% is purely because we have added 700 machines during the current quarter, Q1, but our utilization level is increased by 10 bps. So, my denominator has increased by 700 machines. That's why there is a dip in the utilization level.
- Shubhankar Gupta:** Okay, sir. Got it. And sir, another small question. Outlook for YBA, in previous calls you mentioned that 1,200 machines were active, and we were earlier targeting 1,700 machines by year-end on the YBA bit, so how do you see that going forward?
- P. Sundararajan:** Yes. See, that is considering 1,300 in the existing setup and adding another about 300-odd machines as a new setup. So, with the current scenario, because of this US tariff issue, we have to wait and move forward. If the tariff will not come down from 50%, then probably we will be putting this project on hold until the picture is clear, the expansion project. But at the same time, we are going to entertain some one or two more European customers into Young Brand in order to mitigate the geographic risk.
- Moderator:** The next question is from the line of Rehan from Coheron Wealth.
- Rehan:** Congrats on a great set of numbers. Sir, I think the management is doing extremely well, integrating YBAPL, so I would first like to congratulate you on that. My first question is primarily on your Garmenting business. If I dissect the numbers, I just wanted to ask whether my understanding of INR 289 crores for purely the garmenting business, excluding YBAPL.
- On a Y-o-Y basis, it's about 30%-35% kind of growth, which is very good. I just wanted to understand where has that come from? Because you mentioned that we've added about 600 to 700 machines in the quarter. So, can you help me understand the same a little better?
- V. Balaji:** Yes. In fact, if you look at the year-on-year in terms of production also has gone up, so we have added a new capacity in current quarter, quantities have moved up. And for the current quarter, there is a significant increase in the garment production also.
- P. Sundararajan:** Yes, see in Q1FY25 and Q1FY26, there are two reasons. One is Q1FY25, there were difficulty in the booking, which we mentioned, and the second one is less machines. So now we have increased to 700 machines now. So that is how the topline has come up.
- Rehan:** Sir, these machines are in Sri Lanka or in India?
- V. Balaji:** No, India.
- P. Sundararajan:** Only India, because Sri Lanka is still not reflected in these numbers strongly.

- Rehan:** Right. So, Sri Lanka has not contributed, all these 700 machines in India at the moment?
- P. Sundararajan:** Yes. And that is the reason why there is a small challenge in capacity utilization because we have added new machines.
- Rehan:** Yes, that is completely fine. That, I think, Balaji sir was very clear on. You mentioned that we are adding about 650 machines in Sri Lanka in this half. Is that my understanding, correct? And by the end of the year, you're looking at 2,000 machines. So just wanted to understand when can we see those numbers come on stream? Because this has been in the pipeline for almost three quarters now.
- V. Balaji:** No. Sri Lanka has been in pipeline for two quarters. So, you will find the quantities coming up from Sri Lanka from second quarter onwards. Maybe small quantities in second quarter and fully from third quarter onwards because, we have to get the clearance from the customer also for production.
- So, it may take two-three. Even though it is all customer approved factories, for producing their orders in that factory, we have to get clearance from the customers. So Q3 will be the right quarter where you'll find Sri Lanka completely having enough production.
- Rehan:** Okay. And if I may, one last question. I mean, I understand the management is very clear on the fact that you're all trying to diversify YBAPL to European entities or deepen the ties because you'll have outstanding relations there. But let's assume that you have your current business, which is about almost INR 80-90 crores of YBAPL, how are you seeing the tariffs?
- Like what kind of margin impact are you seeing on that business? Because we're still hit with the 25% tariff over the last 1.5 months, so we would just like to understand. Because I'm sure the customers that you're dealing with will ask you to take some of the hit as well. So, can you explain or quantify that amount?
- V. Balaji:** See, in terms of margin, I guess, every addition in terms of...
- S. Chenduran:** Balaji, can you hear me?
- Moderator:** Yes, sir, we can hear you.
- V. Balaji:** Yes, yes.
- S. Chenduran:** This is Chenduran from the management team. So, to your question on Young Brand, yes, there have been conversations with the customers. They have definitely not considered the additional penalty, which we all expect that to not stand beyond the end of this month. So, let's hope so. But for the other 25%, there has been tariff increase with the other countries as well, roughly an average of 20% for the competing countries.
- So, though it is a disadvantage for India, there is an impact of, say, 3% on the first quarter with Young Brands. And going forward, we expect that to be shared between the suppliers, so the

raw material suppliers who the customers have nominated, but customers are also planning to increase their retail prices because it is the same for all the retailers. And definitely, there is a part of it that we are expected to share as well. We don't have specific numbers on how much we will be expected to share. But let's say, roughly one fourth would be what they're expecting us to share.

**Rehan:** So, one fourth of the tariffs, right?

**S. Chenduran:** One fourth of the tariffs, one fourth of the incremental tariffs.

**Rehan:** Okay. No, I just wanted to understand because considering you're all still trying to diversify, but that will take some time. So that would just help analysts to understand what kind of impact the tariffs can have because this business is scaling pretty well, so that's why.

**S. Chenduran:** Yes.

**Rehan:** And one bookkeeping question. Balaji, sir, can you help me with the EBITDA of Spinning for the quarter?

**V. Balaji:** Which EBITDA?

**Rehan:** EBITDA of Spinning for the quarter?

**V. Balaji:** For Spinning?

**Rehan:** Yes, Spinning division.

**V. Balaji:** Spinning, roughly around INR 4.5-5 crores for the current quarter.

**Moderator:** The next is from the line of Ashwin from Samatva Investments.

**Ashwin:** So, could you talk a bit more about the gross margin compression in the standalone business?

**V. Balaji:** On the standalone business, it's purely the margins, which have come down. I mean, it's purely because of the increased wages. So, the Tamil Nadu government has increased the wages as on 12<sup>th</sup> of March. So, there is an increase in the minimum wages. So, there is a compression in the margins of the standalone.

**Ashwin:** No. Actually, what I'm asking about is the gross margin, sir, not at the EBITDA level.

**V. Balaji:** Gross margin...

**Ashwin:** Sir, gross margin came down from 70.7% to 64.8%. What is the raw material component? Or what is the mix change component in this?

- V. Balaji:** See, it's purely on the product mix. It's purely on the product mix. That's the only thing which will have some impact on the gross margin.
- Ashwin:** So, is it more of the men's and women's wear, which is a lower-margin business versus the children's wear? Or could you talk a bit more about this? And what should we expect going forward from here? Is this the new baseline? Or how should we think about this in the times ahead?
- V. Balaji:** See, in terms of gross margin, it's purely based on the amount of products that is completed in that quarter. For example, if we are doing more of the body suits and basic model, the material costs will always be on the higher side.
- P. Sundararajan:** See, it's like this, we are in the capacity growth mode, so naturally, when the new capacity has come, there could be a kind of a reduction in the efficiency. So that also will pull down the gross margin. And in order to get the customers approved, we need to bring in some of the customers who can quickly approve these factories in order for us to get the approval from a regular customer. So, we have to now take some orders at a very low margins in order to kick start the factories running so that in 3 to 6 months' time, our existing customers will come for the audit.
- So that's the general practice of our customers. They want the history of 6 months' record for any new factory for approval. So, we need to take some local orders or some stock orders. All these things put together in addition to other things. These are the reasons for the drop in gross margin, but the guideline, this is not going to be that slowly, it will gradually improve.
- Moderator:** The next question is from the line of Chirag Shah from White Pine Investment Management.
- Chirag Shah:** Sir, first, a very basic question, a clarification, if you can just give a revenue mix today on consolidated basis between US, UK, Europe and maybe Asia?
- V. Balaji:** In terms of revenue mix on a standalone basis, we have around 10% on US.
- Chirag Shah:** No, sir, on a consolidated basis, it would be better.
- V. Balaji:** On a consolidated basis, maybe US, we are around 35 percentage, including Young Brand, and rest will be UK and Europe. We don't do anything for Asia.
- P. Sundararajan:** Yes, UK and Europe.
- V. Balaji:** UK and Europe.
- P. Sundararajan:** So, 65% UK and Europe and 35% in consolidated basis is US.
- Chirag Shah:** Okay. And so, you indicated that on the US side, we are 5% differential duty, right, versus the 25%. There's a 5% differential duty. And that you are looking at that, you believe will be absorbed by the chain; some by you, some by raw material guys and some by customer itself.



- V. Balaji:** Correct. So, it is like the retailer takes one fourth, then the customer takes one fourth, the producer takes one fourth, the supply chain management takes one fourth. So, it's been split between all the 4.
- Chirag Shah:** So, the broad understanding has been achieved. And when do you think in the last quarter that's gone by, is there anything of this that is unabsorbed in our P&L, which we have borne, and which is yet to be passed on or accounted for? Or it has already been accounted for?
- V. Balaji:** If you recollect what Mr. Chenduran, JMD, spoke about, he has spoken about that. We have taken a 2.5-3% hit in the first quarter.
- Chirag Shah:** Yes. I missed that point. That's why I was wondering the 2.5%-3% rate. Okay. It's almost 50% US bound; you are assuming it will be one fourth. Great. This is helpful.
- V. Balaji:** Yes.
- Chirag Shah:** Okay. Sir, second question is on UK side?
- V. Balaji:** Sorry, can you come again on the question?
- Chirag Shah:** No, no. I thought somebody was speaking. Okay. Sir, second question is UK FTA benefit. So how should we look at it? And when do you expect it to flow actually?
- P. Sundararajan:** By end of March, see, because now our Indian parliament has passed the bill, but waiting for the UK parliament to pass it. So, they expect between 3 months to 6 months' time. So, once it is passed in the UK Parliament, then this will be effective, hopefully from April 2026.
- Chirag Shah:** Would it be fair to assume already you have started discussing the negotiations with customers so when that happens, you can start producing on ASAP basis?
- V. Balaji:** No, I don't think we can be premature in terms of discussions. It can happen only after the bill has been passed.
- Chirag Shah:** Okay. So, after the bill is passed, it will take another 6 months to finalize and then accordingly it will flow.
- P. Sundararajan:** Yes.
- Chirag Shah:** Okay. And last question was on the retail business. So, if I go back to 2 quarters, we were looking, we had given a hard stop with respect to the losses that the business is making or deciding to discontinue the business and Chenduran sir was very clear at that point of time how he is looking at either of the scenario. So, any thought process on that? Because we are now very close to that initial target.
- S. Chenduran:** Yes. Can you hear me?

**Chirag Shah:** Yes.

**S. Chenduran:** So yes, I agree. So, I clearly said that we give a hard stop with 8 quarters, which was almost 1.5 years back. So even Q4 last financial year, we had projected that Q1 would be quite poor in terms of, it wouldn't be as much as what we expected, where it's a profitable situation. But whatever has been corrected in terms of the inventory, receivables, if we get into those details, it's come down considerably. So irrespective of all of that, it's well sustained. The finance costs have gone higher at the EBITDA level. We are definitely breaking even.

All the earlier issues with the Head Brand, the royalties and the clearing the old stock, that's all been cleared by Q4. So, there was some impact to Q1, but it's all done now. And the other fact is that we are still having conversations with raising equity. People have shown interest into retail. So that's the other plan.

And to be honest with you, we are internally having the conversations. We raised money. We don't make any operational losses, and then, slowly the retail business comes back on its own self-sustained. And maybe one more quarter, Q3, we will either do this, we'll break even consistently, Q2 and Q3, or we will still be able to take that call by the end of Q4.

**Chirag Shah:** And just a follow-up on this. Is there a commitment from your side to Crocodile brand for how long bare minimum you need to carry the brand or the franchise, and that is one of the reasons?

**S. Chenduran:** No.

**Chirag Shah:** So, there is nothing?

**S. Chenduran:** No. There is nothing there.

**Chirag Shah:** Okay. There's no such restriction like that.

**S. Chenduran:** No, no. There's nothing like that. Yes.

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

**Aabhash Poddar:** So, in Q1FY26, we've done a 35% growth on the standalone side. I'm assuming there would be some employee productivity benefits also that you would have achieved given that in the previous quarters we said that there is a labour challenge, and you have hired new workers.

So just wanted to understand, given this benefit that's come in Q1, do you think the standalone business would surpass the growth that you had earlier expected? I'm asking ex of land bank. So earlier the target was, say, around INR 1,600 to consolidate the entry level.

**Moderator:** Sorry to interrupt, your line is breaking.

**Aabhash Poddar:** Am I audible now?

**Moderator:** Yes, sir.

**V. Balaji:** Please be slow when you talk.

**P. Sundararajan:** Slow in expression, please, speed.

**Aabhash Poddar:** Okay. Yes. So, I just wanted to understand...

**Moderator:** No, Aabhash sir, we're not able to hear you properly. Your line is cracking.

**Aabhash Poddar:** I will take it offline. Okay.

**Moderator:** The next question is from the line of Chirag Shah from White Pine Investment.

**Chirag Shah:** Sir, just a clarification or rather your understanding, not a clarification on this hypothetical incremental 25% that has been indicated as of now. Assuming there is a delay which happens between the 2 governments instead of '27 cancellation, it goes on for some time before they conclude, is there any discussion who bears it? Because it's a big sum for the entire chain. So, is there any indication or any thoughts you have how to look at it? Because it can get postponed for some time.

**P. Sundararajan:** Yes. It is like this; the structure has already started.

**S. Chenduran:** Can I answer this?

**P. Sundararajan:** Yes, please.

**S. Chenduran:** So, the customers have had conversations with us, and they are also not willing to take into consideration the 25%. Definitely, they will look at the worst-case scenario to look at countries outside of India, which will be viable long term.

But at the same time, we've had conversations with them that they want to take a lot of the stocks, which are being produced earlier by air so they can save before their deadline, I think, which is September 23 or something. I'm not sure about the date. They have to take the stocks within the US. So, they are trying to get the stocks into the country even by air at their own cost until then.

And, otherwise, on the 25%, they are not willing to have any conversation about. They discussed with us, and that's why it came up that one fourth would be the contribution, it's what we discussed initially on the 25%, the original 25%. But the additional 25%, they don't want to talk about it yet.

**Chirag Shah:** And how can Sri Lanka help us?

**S. Chenduran:** Yes. So, we have that conversation with them as well that Sri Lanka, we've acquired factories. We're in the process of acquiring some more, so they have shown interest that Sri Lanka would

be a good option in case it becomes the worst situation. So, we are well protected between S.P. Apparels, Young Brand and the Sri Lanka acquisitions that these US customers from Young Brand utilize around 800 machines from Young Brands.

And when Chairman said that we have 2,000 machines in pipeline, and there's definitely more conversations as well, so customers were open to it, but they don't want to comment anything today. But longer term, if things go worse, we are definitely covered as a group with the Sri Lanka plan.

**Chirag Shah:** So, you can ramp up at a faster pace? Please go ahead, sir. You were saying something.

**P. Sundararajan:** Yes. There are mitigation risks happening, two mitigation risks we are taking, one is to bring in European and UK customers into Young Brand as well as for SPAL so that we are prepared for the change in the major decision of changing the customer, moving from Young Brand to another country. So, another one is we are offering them Sri Lanka capacities so that we don't lose the customers. We will take the orders and produce them out of Sri Lanka and ship it.

So, there are two risks, one is we don't lose the customer because we are taking them into Sri Lanka production. And this will not be idle because we are bringing in European and the UK customers into the idling capacity. So, we are completely protected.

**Chirag Shah:** Sir, the question that arises is will you be...

**P. Sundararajan:** Everyone is waiting until the August 27. Only then the things will start moving, the changes.

**Chirag Shah:** No. Sir, my question is a bit different. My question is how fast you can ramp up Sri Lanka? In India, you can ramp it up at a faster pace because you know things, you have been doing it since a very long time. While Sri Lanka is very close to the Tamil Nadu but still, it's a new territory for you in terms of experience.

**P. Sundararajan:** That is the main challenge. There is a transition time we have, definitely undergo some difficulties and challenges. But we have already started offering them the factories to initiate the audits and other things. Until then, that factory in Sri Lanka, we will get some job work done so that the factory is not idle. And here also, the existing orders will continue until whatever the orders in hand, that will continue for another 2-4 months. So, there transition is a challenge.

**Moderator:** The next question is from the line of Nirav Savai from Abakkus.

**Nirav Savai:** My question is regarding the capacity breakup, and the total number of machines as on the date is we have about 8,700 machines?

**V. Balaji:** Sorry.

**P. Sundararajan:** Say again please.

**Nirav Savai:** Total machines across all capacity, the total is about 8,700 as on Q1FY26, or what is the total?

**P. Sundararajan:** 7,800, that's what we are expecting to be by end of March.

**V. Balaji:** In India.

**Nirav Savai:** Okay. So, when we see the existing facility, it's about 5,100.

**Moderator:** Yes, sir, you may proceed.

**Nirav Savai:** Yes, so existing capacity what we had was about 5,100, and Young Brand is about 1,400, right?

**V. Balaji:** Correct. Yes.

**P. Sundararajan:** So that's the existing one, and we will add another 2,000 by end of March from Sri Lanka.

**Nirav Savai:** Okay, so by end of March it will be 2,000, which is about 650 right now.

**P. Sundararajan:** Correct.

**Nirav Savai:** Okay. And the new facility, which we are planning at Sivakasi, what would be the capacity there? Or any number which you all can? Or is it started, or it is going to take maybe some more time to start?

**P. Sundararajan:** We have just started. It will take off in the third quarter. Yes, third quarter, it will reflect in the financials.

**Nirav Savai:** Right. And you will be starting from the third quarter?

**V. Balaji:** Yes. We have already started; small shipments are happening. But consolidated numbers will come only in the third quarter. It will have a good number in third quarter. This quarter, we have done INR 3 crores.

**Nirav Savai:** Okay. And once all these expansions are done, you'll be looking at what, about 10,000 machines by end of FY27?

**V. Balaji:** Yes, 2,000 from Sri Lanka; 6,000 in India; 1,800 from Young Brand, which will be consolidated to around close to 10,000, so it will be 9,800-9,700.

**Nirav Savai:** Right. So also in the initial comments, you all had said about expansion in the printing side as well as some other knitting machines. So, I just missed out that. Is there some expansion also which we are doing on the backward integration side?

**V. Balaji:** No. He was explaining that it is 100% utilized.

**Nirav Savai:** Okay. And what kind of capex do we see for FY26 and FY27?

- V. Balaji:** FY26-27, I think all the capex in India is getting completed. And by FY26 end, we should also be complete in terms of what we buy out in Sri Lanka also. FY26-27, FY27-28 will be more to do with utilization.
- Nirav Savai:** Okay. So broadly any number if you can share, about INR 40 crores to INR50 crores will be the capex or we are looking at even higher capex for fiscal '26 and '27?
- V. Balaji:** FY26 and FY27, roughly around INR 20-30 crores of maintenance capex.
- Nirav Savai:** Okay. That is what's the entire capex will be for the entire year.
- V. Balaji:** Yes.
- Nirav Savai:** INR 20 crores to INR 30 crores for both the years we see on the capex side.
- P. Sundararajan:** Yes, and we will have the new project, put together INR 50 crores.
- Moderator:** The next question is from the line of Perna Jhunjhunwala from Elara Securities.
- Perna Jhunjhunwala:** Just listening to this call, so one fourth of the shares of 25% is also a very high number to be shared by a garment supplier. Do you think we'll be sharing this one fourth with other suppliers as well to reduce the impact?
- P. Sundararajan:** No, out of the first 25% tariff...
- S. Chenduran:** Okay. So, one fourth of the 25% is only with the manufacturers the discussion. If that split into four is also including the supply chain. So, the other raw material manufacturers, trims and accessories and all those. So, this one fourth is only with the manufacturer.
- Perna Jhunjhunwala:** Okay. The raw material suppliers are separate that they will be sharing?
- S. Chenduran:** Yes. That's separate. So, the longer term will be for the retailers to increase it to the consumers, but they don't want to risk everything with them. So, they're having conversations where it can be passed on a little to them.
- They'll have something, so it will be spread across all the 4. But maybe 6 months later, the correction will happen, where all the retailers will have to increase their retail prices. So, it's not just for us as a factory in India or even the competition, other countries. It's for all the retailers in the US as well. So, they expect the prices to increase, definitely, but at the moment, they don't want to do anything.
- P. Sundararajan:** Already some of our customers have already increased the prices, their selling prices. They're changing the price tickets and everything but based on the 25%. If it is 50%, either it has to come back to 25% or we have to lose the US business. So that side is clear.
- Perna Jhunjhunwala:** Okay. Sir, is Sri Lanka an opportunity because Sri Lanka is a big hub for intimate wear?

- S. Chenduran:** Yes.
- Prerna Jhunjhunwala:** So, the machines that you're adding there can be used for US business instead of UK that you were targeting, or you can eventually increase business in Sri Lanka for US?
- S. Chenduran:** Yes. I think that's the plan. That's the strategy with the expansion in Sri Lanka. Going forward, Sri Lanka can be driven for the US business from Young Brand, and the UK business can be done from India with the India having the FTA advantage for the UK.
- Prerna Jhunjhunwala:** Okay. So, on an overall basis, the margins, how do we see the margins panning out for this year, at least on the UK side the figures?
- V. Balaji:** For the time being, I think only Trump can talk.
- Prerna Jhunjhunwala:** Sir, only for the UK, Europe business, not overall.
- P. Sundararajan:** Quite frankly that will be a challenge, but since our top line is going to increase considerably, that will help us in bringing down the fixed overhead cost. So that has to be offset by the topline growth.
- Moderator:** The next question is from the line of Shradha Agrawal from Asian Markets Securities.
- Shradha Agrawal:** So, sir, on the Sri Lanka operations, did we mention that we have 650 machines in Sri Lanka which we plan to scale up to 2,000 by March '26?
- P. Sundararajan:** Yes.
- Shradha Agrawal:** And for FY27, you're saying that there will be no further capex on the Sri Lankan side, and it will be about taking the utilization up in the Sri Lanka business? Or are we planning to add machines also there?
- P. Sundararajan:** It's too early to decide that because we have to settle down with the 2,000 machines because it's a big jump within 1 year time, 12 months' time. So, the operational things we have to set right, and the customer approval, order booking, efficiency, all needs to be set right. So probably, we'll take a break for 6 months. Again, we'll think of increasing. It's too early to say anything now.
- Shradha Agrawal:** And what was the revenue we did from Sri Lanka in this quarter, if any?
- V. Balaji:** I just told you that it will be roughly around INR 3 crores for the current quarter.
- Shradha Agrawal:** Okay. And sir, earlier, we had indicated that Sri Lanka margins are expected to be around 10%, so do we still work with similar margins in Sri Lanka?
- V. Balaji:** Correct. Currently because we feel that 10% to 12% will be the correct margin for Sri Lanka business.

- Shradha Agrawal:** Sir, last quarter, if I remember right, you had done close to INR 5 crores from Sri Lanka. And this quarter, we didn't reach.
- V. Balaji:** Yes. Shradha, that was purely on a job work basis. We have not acquired the factory. What we have done last quarter was purely on a job work basis. 31<sup>st</sup> March was the date where we have acquired the factory. So now, the factory once we have acquired, there is a change in the management. And now, we have taken, and INR 3 crores is a number for the first quarter.
- Shradha Agrawal:** Okay. And sir, earlier, you had indicated that you plan to do revenue of close to INR 200 crores in Sri Lanka in FY26. So, are we broadly on track to do this number?
- V. Balaji:** Maybe it will be because clearance from the customer side is something which is not in our control, so the INR 200 crores what we have earlier said, it's only a pure assumption based on number of machines that could come up. Now I think there could be some stretching taking over, maybe we'll end up with INR 150 crores on the top line by March end.
- Shradha Agrawal:** Okay. And sir, for the SPUK business, I mean, we had indicated to close to GBP10 million of revenue from SPUK in FY26. But given that start to the year was low, was weak even for this business, so how do we now look at guidance for SPUK for FY26?
- V. Balaji:** SPUK, I guess, we have now reached out to couple of new customers.
- P. Sundararajan:** Yes. Let me explain. We are going in the right direction. And we already got the business from our two new customers. Already the orders are in place for the shipment by quarter 3. So, as we mentioned last time, Q1- Q2 will be a challenge with regard to the financial numbers.
- But Q3 onwards, it will be completely taking off because all the customers we are getting, two or three new customers coming in, already the inquiries have been started. So, the placement will happen before end of this month or something.
- So, shipments will start from Q3 onwards. So, we are aiming, we are planning for GBP10 million to GBP12 million, is our planned target for this financial year, which I'm sure we will be able to achieve that. Once those numbers come in, I think all friction expenses will be diluted, and the margins will improve.
- Shradha Agrawal:** Got it. And sir, just last question from my side. On Sivakasi, what is the capacity as of today and as of Q1 end? And what would be the operational capacity in Sivakasi?
- P. Sundararajan:** Currently, it is about -- sorry?
- Shradha Agrawal:** I mean, the installed capacity and operational capacity in Sivakasi.
- P. Sundararajan:** Installed is about 450 machines. And in a staggered manner, we are recruiting the fresh people, training them. So currently, about 100 machines are running, and we are waiting for the customers to get them audited. We are bringing in three new customers into that factory. So probably that process will take another about 1 months' time.



So actively, we will be making the real export products, although we are making some commercial production for domestic supply. The export commercial sales will happen from the third quarter onwards.

**Shradha Agrawal:** Got it.

**P. Sundararajan:** For 200 machines, to start with.

**Shradha Agrawal:** Yes. Then, on a standalone business, the 700 machines' capex that we did, so that was in the existing facilities that we added 700 machines. Where was the capex done?

**V. Balaji:** The factories which we have created for the current quarter is around Palladam, which is a new factory. We have bought one in SIPCOT. We have bought one in Thuraiyur. And the other are pertaining to increase in the same factories.

**P. Sundararajan:** Yes. Same factories, there are three phases. Increase in the existing factories because we are able to manage the workforce. So that increase is happening. And we acquired three factories, one is the Bannari factory, and then, another one is near Trichy, and one other one is in SIPCOT probably. Those are the add-on factories. And those are with the new projects. So, all put together it is coming to close to around 700.

**V. Balaji:** 700 machines.

**Shradha Agrawal:** Got it. And what was the capex that was incurred for these 700 machines?

**V. Balaji:** Roughly around INR 75-80 crores. You can find that in part of the WIP March and also WIP in June.

**Moderator:** Due to time constraints, that was the last question. I now hand the conference over to the management for the closing comments. Over to you, sir.

**P. Sundararajan:** Yes, thank you. Thank you for participating and showing interest in investing in our company. Unexpectedly, we have got this US tariff challenges out there, where our plan was to increase the business in US market, but because of this tariff issue, we had to completely re-strategize the whole thing now, like moving the US business of SPAL into Sri Lanka and bringing in new customers to fill these capacities as well as in Young brand, we have to bring in the big customers to fill this one.

So, a lot of challenges are there. But we already have a strategic plan. We are going in the right direction. We know what to do. So, it's only a matter of time, about 2 to 3 months of time, to get these things settled down.

And we are going in the right direction in terms of the big jump in the growth of capacities and the top line growth, which in turn will definitely bring down the overheads. And our bottom line will also be able to maintain. So, we are very confident about it. And the SPUK also, we are very confident from the Q3 onwards, and the retail also, definitely the breakeven is



happening as we promised that this shouldn't be a problem from Q3 onwards. Please rest assured, and thanks for your continued support. Thank you.

**Moderator:**

On behalf of S.P. Apparels, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.