



“S.P. Apparels Limited
Q2 & H1 FY26 Earnings Conference Call”
November 17, 2025



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MODERATOR: **MS. PRERNA JHUNJHUNWALA – ELARA SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the S.P. Apparels Limited Q2 FY26 Earnings Conference Call. 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.

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

Perna Jhunjhunwala: Thank you, Hoda. Good afternoon, everyone. On behalf of Elara Securities Private Limited, I would like to welcome you all to Q2 FY26 Post Results Conference 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.

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

P. Sundararajan: Good afternoon, everyone. I'm sorry for the delay in joining because I am in Sri Lanka now. On the overall performance, I'm delighted to report that all our divisions that is SPAL Garment Division, Young Brand Apparels, SPUK and Retail division have delivered strong performance in Q2 FY26.

Notably, retail and SP divisions have reported positive EBITDA during the quarter, marking a significant milestone in our turnaround strategy. Commenting on the broader environment, the government of India's recent approval of the Export Promotion Mission, EPM with an outlay of approximately INR 25,000 crores over 6 years is a landmark initiative to strengthen India's export competitiveness.

This mission will provide Indian access to credit, support compliance, and help exporters penetrate new markets. Combined with the FTAs under negotiation and schemes like RoSCTL and RoDTEP, this creates a powerful tailwind for our industry. S.P. Apparels is well positioned to leverage these benefits through our integrated model and diversified customer base.

Regarding Garment division, our Garment division continues to be the backbone of S.P. Apparels. In India, we maintained healthy capacity utilization at around 83%, supported by strong demand and new customer additions across Europe and the U.K. The export witnessed a growth of 24% year-on-year with export quantity of 18.9 million pieces in Q2 FY26 compared to 15.3 million pieces in Q2 FY25.

During this quarter, we strengthened our Sri Lanka operations, increasing our capacity. This increase is aimed at accelerating capacity expansion and leveraging Sri Lanka's cost-effective manufacturing environment, duty-free access to Europe and the U.K. and abundant skilled labour. SPAIPL, S.P. Apparels International Private Limited in Sri Lanka incorporated in

October 2023 is already operational and will play a pivotal role in our long-term strategy to diversify sourcing and mitigate tariff, workforce and political risk. We remain on track to scale up to 2,000 machines by FY27, positioning SPAL as a competitive global supplier.

We are pleased to share that we added 3-4 new European customers this quarter, strengthening our presence in key markets. These relationships, combined with our Sri Lanka capacity and SPU design capabilities, position us well for sustained growth.

With regard to Young Brand Apparel. Young Brand Apparel has experienced a marginal revenue impact during Q2 FY26 due to the prevailing U.S. tariff situation.

However, this was offset by stronger margins, reflecting our focus on operational and raw material procurement efficiency. We have consciously deferred the Salem expansion until there is clarity on U.S. tariffs, but we remain fully prepared to resume once conditions stabilize. In parallel, we are actively exploring opportunities to onboard a couple of U.K. customers, which will help diversify our current U.S. heavy customer mix and mitigate the risk.

With regard to the integrated operations, our spinning, dyeing, embroidery, and printing divisions continue to provide cost advantages and quality consistency. The Dyeing division is running at full capacity, and we are prepared to expand throughput from 23 tonnes per day to 30 tonnes per day if U.S. tariffs are reversed or European volume accelerates.

With regard to SPUK division, SPUK has turned the corner this quarter as committed, reporting positive EBITDA after several challenging years.

Our design-led approach and sourcing flexibility between India and Sri Lanka have helped us onboard new U.K. customers. The India-U.K. FTA will further strengthen our position in this market.

Regarding Retail division, our Retail division has delivered a significant milestone this quarter by reporting positive EBITDA for the first time in a very long period. This turnaround reflects the success of our strategic decisions and disciplined execution.

The Crocodile brand continues to perform strongly, maintaining its position as one of the leading menswear brands with robust demand across the formats. At the same time, Angel & Rocket has gained strong traction, validating our decision to invest in premium kidswear and expand its footprint in India. Importantly, our earlier decision to exit the Head brand franchisee has helped us cut losses and sharpen our focus on profitable growth.

This rationalization, combined with operational efficiencies and inventory optimization has strengthened the division's fundamentals. We are confident that this positive trend will continue going forward, supported by brand momentum, cost discipline and a clear road map for sustainable growth. We are also looking out for some strategic financial partners who will join us in the growth of retail going forward.

The overall outlook, we remain committed to achieving INR 2,000 crores top line guidance for FY27 on consolidated basis. Our SPUK division's turnaround, combined with the sourcing flexibility and design-led engagement positions us well to capture incremental volumes. The Retail division's positive EBITDA milestone driven by Crocodile's steady performance and Angel & Rockets' strong traction has further strength to our consolidated outlook.

Additionally, readiness to resume the Salem expansion once tariff clarity emerges will support the growth. With the initiatives and favorable policies tailwinds like the export promotion mission, we remain confident of delivering on our full year guidance while sustaining margins and creating long-term shareholder value. Thank you for your continued interest and support.

Now I would like to hand over to Mr. Balaji for the financial highlights. Thank you.

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 the Q2 FY26, adjusted total revenue stood at INR 305 crores, which is at the growth of 18.4% year-on-year. Adjusted EBITDA margin stood at 17.8% with a growth of 23.6% year-on-year.

And PAT for the current quarter stood at INR 27.3 crores and the reported robust growth of 51.4% year-on-year with a PAT margin of 9.0%. On a standalone basis for H1FY26, we have done an adjusted total revenue of INR 593 crores and an adjusted EBITDA of INR 98 crores with a margin of 16.5% and a PAT of INR 47.2 crores, growth of 15.7% year-on-year and PAT margin at 8.0%.

On a consolidated basis, our total revenue for the quarter stood at INR 427 crores, a growth of 9.2% year-on-year and our EBITDA stood at INR 63.7 crores at an EBITDA margin of 14.9% reporting a growth of 28.1% year-on-year. And the PAT stood at INR 34.7 crores, a strong growth of 58.4%, year-on-year.

For H1 FY26, our total revenue stood at INR 830.8 crores, which is at the growth of 30.5% year-on-year and an EBITDA of INR 116 crores with a margin of 14%, a strong growth of 41% year-on-year. PAT stood at INR 95 crores with a growth of INR 38.5 crores year-on-year.

On a segment-wise performance in Garment Division, including Young Brand Apparel, our Q2 FY26 adjusted revenue stood at INR 389 crores, a growth of 10.2% year-on-year with an adjusted EBITDA of INR 66.6 crores at a growth of 16.7% year-on-year.

SPUK Q2 FY26 revenue stood at INR 18.0 crores with a positive EBITDA of INR 1.1 crores against a loss of last year. Our retail division Q2 FY26 revenue stood at INR 21.7 crores and a positive EBITDA of INR 53 lakhs against a loss of INR 88 lakhs in Q2 FY25. Further in the retail division, Crocodile brand revenue stood at INR 16.0 crores and Angel & Rocket revenue stood at INR 5.0 crores, respectively.

On the current debt position, gross debt on a standalone basis stood at INR 263 crores and net debt stood at INR 229 crores. We have currently supported our Sri Lankan operation with an

ECB of \$6 million. On a consolidated basis, our net debt is INR 303 crores. The presentation has got detailed information about the balance sheet, cash flow and division-wise performance. Hope you have all gone through the presentation. And now let us take up the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Raman from Sequent Investments.

Raman: Sir, I have several questions. One, I just want to understand that the new Sivakasi facility, we were expected to introduce around 400 machines by H2 FY25. So what's the plan with respect to that? Are we planning to introduce, like add 400 machines?

P. Sundararajan: Jeeva, you can answer this, please.

P. V. Jeeva: Yes. Actually, it was running up to 100-150 until 2 months back, but due to this U.S. situation, we have reduced the capacity to minimum of 30-40 at the moment. Until we expect the U.S. situation to revise, there will be a less running of machines. But we are trying for some European customers. We have offered this factory for another 2-3 customers. We are expecting that to be through in February-March. By April, we'll be running as usual, maybe from April onwards slowly from 100 to another 6 months up to 400, we'll be filling the capacity.

Raman: So basically, 2 months back, you were running at 100-150 machines and now you're running at 30-35 machines.

P. V. Jeeva: Exactly, yes.

P. V. Jeeva: Yes, purely because of U.S. situation. But once we are trying for new customers, they are showing interest on this factory. We have already offered this factory to another European customer. So, we are expecting new customers coming in from April.

V. Balaji: It's not 235. It has come down to 35. That's what we said.

Raman: And this facility is only for Young Brand?

V. Balaji: You are asking about capacity?

Raman: No. I'm asking about Sivakasi facility is only for manufacturing of Young Brand Apparel.

V. Balaji: It is for Garment Division.

Raman: And sir, we were expecting INR 100 crores from Sri Lankan operations in the first year of operation. Now that almost half year is almost done. So, what's the current revenue you expect from Sri Lankan operations? And are you planning to add some capacity given that you want to diversify from Indian-based manufacturing to Sri Lanka, which has comparatively lower tariff rate?

- P. V. Jeeva:** Yes. Actually, from Sri Lanka, we have so far shipped INR 16 crores to INR 17 crores in Q1 and Q2. And all this for Q1 and Q2, we were running only 1 factory. And Q3, we have added 2 more factories. So, from Q3 and Q4, we are expecting about INR 25 crores - 30 crores, if we combine all together, it will be around INR 50 crores for this year.
- Raman:** **And** from next year?
- P. V. Jeeva:** Yes, next year FY26-27, we'll be running full capacity and definitely, we can expect 100 plus.
- Raman:** And how is the integration with respect to Young Brand coming? I just want to understand for the half year, what was the revenue from the Young Brand Apparel and margins profile? And are there any plans to improve the margin of this business from current single digit to double digits?
- V. Balaji:** I think the presentation which is uploaded in the exchanges has got a complete detail about Young Brand financials separately. Currently revenue from Young Brand is around INR 84 crores, and we have an EBITDA margin close to around 14.9%.
- Raman:** And sir, my final question is with respect to the capacity utilization in India. It's above 83%. Are you planning to add some more machines for further growth? Or will you take up the call in later part of FY '26?
- V. Balaji:** Currently, our utilization is 83%. I think Q3, we will have a capacity utilization lower purely because of the tariff issue. We are planning capacity by March end, we should have at least 6,000 machines capacity. That was our initial plan because of the tariff issues, we have slowed down on the capacity expansion. So, if there is a reversal in terms of the tariff, then we will quickly improve our capacity.
- Moderator:** The next question is from the line of Bharat Gulati from Dalal & Broacha.
- Bharat Gulati:** So, I just had a couple of questions. First one is , you've guided for our mix changing going forward. So, what kind of margins should we expect for the coming years to come?
- V. Balaji:** On the Garment Division, I guess, on a consolidated basis between Young Brand and the export division, we should expect an EBITDA margin of 15%.
- Bharat Gulati:** So, on a consol level, at a group level, we could be maintaining about margins that we've done in this quarter of about 15% -16% going forward. Would that be right to assume?
- V. Balaji:** That should be the guidance which we have to work with, yes.
- Bharat Gulati:** And sir, just on our capacity. So, by the end of FY26, could you quantify how many number of pieces will we be capable to export, not utilization, but just the pieces that we'll be able to export?
- V. Balaji:** Pieces?

- Bharat Gulati:** Yes. So, I'm just trying to understand how many pieces will we be able to export on an annualized basis in FY27?
- V. Balaji:** In terms of our full capacity, we should be going close to 100 million pieces.
- Bharat Gulati:** And at what utilization we will maintain at 83% - 85% utilization for FY27 as well?
- P. V. Jeeva:** This will be for 90% -93% utilization, it will be 100 million.
- Bharat Gulati:** So, 100 million capability with 93% utilization. Would that be the right understanding?
- P. V. Jeeva:** Yes. That's correct.
- Bharat Gulati:** And just can you quantify the amount of capex that we would do in H2 in order to get this capacity fulfilled?
- V. Balaji:** H2, we are not looking at major capacity expansion because of the tariff issues. Whatever happens would be on the maintenance capex only.
- Bharat Gulati:** And we'll still be able to achieve 100 million mark next year?
- V. Balaji:** Sorry?
- Bharat Gulati:** We still be able to achieve the 100 million pieces capability next year without any major CapEx?
- V. Balaji:** Yes.
- Bharat Gulati:** And sir, just is it possible to mention what is our ROCE for SP U.K. business?
- V. Balaji:** ROCE is around 4-5% currently.
- Bharat Gulati:** Any plans to increase that in the coming quarters?
- V. Balaji:** Definitely, the increase in revenue will boost up the margins, which will have a positive impact on the ROCE.
- Bharat Gulati:** So sir, would it be possible that we could see a little bit of a margin expansion come in FY27 from current levels?
- V. Balaji:** On a consolidated basis, you are asking?
- Bharat Gulati:** Yes, consolidated basis, sir.
- V. Balaji:** See, on a consolidated basis, we have various divisions functioning. So, we are guiding for a 15% EBITDA margin on a consolidated.

- Moderator:** The next question is from the line of Rehan from Coherent Capital Advisors.
- Rehan:** First of all, congratulations on a great set of numbers. It's been really good execution from the management. I just had a couple of questions on the capacity front. In Q1, we added about 700 machines between India and Sri Lanka. So, how much have we added for quarter 2?
- V. Balaji:** See quarter 2, because of the tariff issues, we have slowed down on the addition. And also we have the machines which are put up in the new plant, we have reduced the utilization also, purely because orders are not coming through because from the U.S. customers. So we have slowed down on the capacity utilization in new factories purely because of that.
- P. Sundararajan:** No, let me explain. See, as of now, we have an installed capacity of close to 6,000 machines in India and about 1,000 machines in Sri Lanka. By end of March, it will be 6,000 plus 2,000, so will be 8,000, will be under S.P. Apparels Limited, SPAL Garment Division and 1,300 machines will be in Young Brand Apparel. In case the U.S. tariff is revised by next financial year, there will be an additional 300 machines in Young Brand. So all put together, next financial year it is going to be 9,600 to 10,000 machines will be running next year by now.
- Rehan:** So that math is clear that you had cleared on the first quarter of this year as well. My question was in this quarter, considering that we are on a ramping speed of execution, I wanted to understand other than Sivakasi. Sivakasi has about 400 to 450 in Phase 1, so the 6,000 includes that. That's correct, right? So in this quarter, how much have we added? Because last quarter, we added 700 roughly, including 600 machines from Sri Lanka
- P. Sundararajan:** We have not added anything.
- Rehan:** So as of now, our capacity is almost 6,000 machines, including Sivakasi's 400. That's correct?
- P. Sundararajan:** Yes. We have no plan of adding any capacities in India.
- Rehan:** Second question is for the YBAPL considering that the additional punitive tariff has come in last week of August. So, the hampering of your Q2 numbers will not take that dent. So, in Q3, as of now, how has been the adjustment for the tariff in terms of profitability? Because in Q1, we were told that it is split across the value chain, but considering now that 25% has become an additional 25%, is the business still viable? Or how is the profitability now for the business? If you can share some light?
- P. Sundararajan:** Yes, Chenduran will answer.
- S. Chenduran:** Yes. I think when you mentioned in Q1, we announced, or we informed that there will be a bit of profit reduction in terms of the tariff issues. I think even at that point of time, we already knew it was an additional 25%. So, it was considering the 50%. So, whatever we've seen in Q2, I think the numbers for Q3 will be on the same lines. It won't have a huge impact on the bottom line. And as we said, it has been passed on to the raw material suppliers in the booking. So, it is across even to the customers. So there won't be a lot of impact even in Q3.

- Rehan:** Not even on revenue terms, you would still be around INR 70 - 80 crores of revenue?
- S. Chenduran:** Definitely not on the revenue terms, but if you're asking on the margins, possibly maybe 1%, 1.5%. But revenue terms, there's no impact on Q3.
- Rehan:** And if I can just squeeze in a last question. The subsidiaries have finally turned positive considering the rampant focus you guys have been on trying to turn it positive. Do we gauge that this is sustainable going forward? Because I remember a couple of years back also, this had turned, but then we saw a different cycle again. So do we gauge that this is going to be a sustainable form?
- S. Chenduran:** Yes. Especially on the retail front, it will be sustainable, again, because last 3-3.5 years, even post COVID, there's been repeated corrections. There's been changes back and forth. There had been impact because of the head brand and other things. But now that it's all behind us, there won't be any negative impact for the business. So it is definitely sustainable. Obviously, quarter-to-quarter, depending on the pattern of the business, the quarters might be different. But overall, if we look at the financial year, it will definitely be better than earlier financial years on the top line and the bottom line.
- Rehan:** Congratulations again on a good set of numbers.
- Moderator:** The next question is from the line of Ashwin Reddy from Samatva Investments.
- Ashwin Reddy:** First question is on the retail business. Can you explain a bit more in detail as to what is driving the profitability of the retail business, meaning is it Indian market or is it the turn on Crocodile in distribution or what exactly is driving it? And into this, the second part is in the presentation, you mentioned about raising money from the capital markets. So is it a little young in terms of scale to go through the IPO route? Or what exactly do you have in mind when you said capital markets?
- S. Chenduran:** So, first question on the improvements. Clearly, the additional, other brand that we had, HEAD was bleeding in a way because we had to clear inventory and because of the end of the license term, which was last December, and there was a minimum guarantee, royalty, and all that. So that was contributing to around 30%-35%, 1/3 of the bottom line.
- The second part of it was Angel & Rocket brands we launched in India in 2020, just before COVID. And the next 2 seasons, the stocks that we bought, we launched in large-format stores, we were supposed to expand, but then there was impact of COVID for those partners, and they didn't buy a lot of stock even on sale of return. So, that 2 seasons affected Angel & Rocket for almost 2.5 to 3 years, again, because of inventory, unsold inventory, liquidation, clearance, even returns in some cases.
- But all those corrections have completely been cleared over the last 2 years, effectively 7-8 quarters, we've been doing it, and that is also now out of the way. And on Crocodile business, it was making EBITDA profit even last year, but now it started doing more. Primarily, again,

Angel & Rocket and Crocodile, our D2C numbers have grown up significantly. It's more than 200% growth on D2C. So roughly, we were doing around INR 1 crores per month. Last year, we were doing close to INR 1.5 crores to INR 2 crores.

I mean we're slowly at INR 2 crores now. Also, the nonperforming or underperforming stores or channels have been slowly, we've exited from that. The other part of Crocodile is that the wholesale business has contributed to the bottom line because it doesn't have any fixed overheads and it is purely a B2B business and our receivables are healthy. Our inventory is also very healthy at the moment. So all of these have contributed to the positive bottom line.

Ashwin Reddy: And I mean what is the trajectory you have for these 2 brands in the next, 2,-3 years? What are they kind of broadly?

S. Chenduran: I mean that in a way answers your second question, about it being still very small. So the plan is for Crocodile to grow organically. Again, as it's a licensed brand, it's a more wholesale-driven brand. It will grow organically on its own. We are doing around annually INR 75 crores for Crocodile. We want to scale that up to INR 100 - 125 crores, to INR150 crores. That's the plan in the next 3 to 5 years to be able to reach INR 200 crores organically. So it doesn't need additional money or equity or even loan to be able to do that. It comes in its own cycle with maintaining inventory and cash flows.

But Angel & Rocket is where we see a bigger potential as it's a D2C brand. Currently, we are around INR 50 lakhs to INR 1 crores per month kind of a revenue, but the potential for the brand to do INR 4 crores to INR 5 crores per month is definitely there. But we have to be investing on digital marketing. We also need to expand our stores because we are moving into omnichannel retail. So our stores will be able to fulfill orders which we get online and vice versa. So whatever money we're looking to raise will be for Angel & Rocket's growth, primarily driven by D2C, which is the website and the physical stores.

Ashwin Reddy: And the second question is on the comment that you just made that the capacities in India would not be expanded going ahead. So, I'm just trying to tie in this with the U.K. FTA linked what would come in from next year? So how do you see the impact of the U.K. FTA on your business? Do you see this as a meaningful contribution? Or how do you think about this in the next 3 - 5 years in terms of impact on your revenues, U.K. FTA happening?

S. Chenduran: Can you repeat the question again, sorry?

Ashwin Reddy: Basically, I'm trying to understand the comment just made that the capacities in India would not be expanded. I'm trying to tie this comment with the impact of U.K., India FTA. I assume that you'll be expanding the capacity in India to cater to the increased demand from the U.K.

S. Chenduran: Sorry, I think that was kind of a miscommunication that the capacity will not be expanded in India. What was meant was the focus currently is on Sri Lanka to make sure that we achieve a sizable scale there, but definitely looking forward to India, U.K. FTA, capacity in India will also be increased over the next 1 - 2 years.

- Ashwin Reddy:** But what is the initial commentary or discussions, I mean any more color on the initial discussion/commentary from your clients in the U.K., which areas or which segments do you see a large demand? I understand the proportion of men's and women's could probably increase versus children, but anything else you can add on the current domain would be helpful.
- Moderator:** The next question is from the line of Shubhankar Gupta from Equitree Capital.
- Shubhankar Gupta:** So first question is on the other income bit. So bookkeeping question. Other income went up substantially in this quarter. So can you just explain what led to this increment?
- P. Sundararajan:** Balaji?
- Moderator:** The line for Balaji sir has got disconnected. I will reconnect him. Meanwhile, can you answer?
- P. Sundararajan:** Can you repeat the question again, please?
- Shubhankar Gupta:** So the question is on the other income. So other income went up substantially in the books for Q2. Just wanted to understand what led to this increment?
- P. Sundararajan:** Yes. Generally, there is a standard other income of about 6% to 7% in terms of RoSCTL, license sale, incentive and also some kind of waste to sales. These are the things. And the exchange rate benefits, we always work on 1.5% - 2%. So all put together about 8% normally is the other income percentage on the top line.
- Shubhankar Gupta:** Okay, sir. Got it. And I just want to understand, as to what sort of machine capex are we seeing till FY27. So, I think you guided around 9,000 to 10,000 machines by FY27, right? Just wanted to understand how are we seeing that not in the short term, of course, U.S. tariffs are there, and we don't have clarity as to how they will come out finally. So, how are you seeing this like the machine addition for let's say, by FY27? And what capex will that involve?
- P. Sundararajan:** Yes. As CFO, Balaji said before, for the next financial year, at the moment, we don't have any capex plan because now we are waiting for the maturity stage because we have invested in 2 factories, Sivakasi and one more, Trichy factory and then Young Brand Apparels and Sri Lanka 2,000 machines. So we have invested enough in this. So now, in FY27, we are going to wait for the maturity level and stabilize everything, the operations and everything. Then say FY28, we may increase another about, say, 15% to 20% addition about 1,000 to 2,000 machines. Probably FY28, we may go up to 12,000 machines.
- Shubhankar Gupta:** So post clarity and maturing only, we'll be seeing an increment of machines. And sir, I just want to understand led to the PAT positivity for both retail and SPUK. Like what are the top 2 trigger items, which led to profitability for both the segments this quarter?
- P. Sundararajan:** Yes. With regard to SPUK, as we told many times about the last about 3 years to 4 years' time, we were relocating the office from Leicester to London and completely because the head of our U.K. operation repaired, so we had to look for a new set of team while shifting to London. We

had changed the entire staff and the head of the business, everything. And because of that, it has taken about 2 to 3 years' time. And we were just trying to restructure the whole thing.

And now we have been in a stage to get the confidence from all the customers of the U.K. brands. And now everything is all set now, it is only to take off now. So, which means we have about 5-6 customers in the U.K., for SPUK business and everything is in the growth mode. So, everyone is increasing year-on-year by 20% - 30%.

So, that's in the safe mode and we are not going to increase our overheads there. So automatically, the growth will be fantastic, our plan is in the next 3 to 5 years' time to go up to GBP 50 million. That's our plan. And the road map is ready for GBP 50 million. So that's clear. With regard to the retail, I think I will let Chenduran answer to that question.

S. Chenduran: As I said for the earlier question, if you're asking the key highlights would be definitely there is an improvement on the gross margin. The revenue like-for-like compared to last year, Q2 has remained almost flat, but the improvement has come from gross margins. So that's increased by around 7%, which has contributed for the positive bottom line. That's one.

Two is on the expenses have also come down. As I said, some of the nonperforming stores, even the part of the sales team, some of the fixed expenses have also come down. So these are the 2 main factors. One is improvement in gross margin and two is on overheads.

Shubhankar Gupta: And what was the magnitude of this reduction in overheads, like some rough estimate?

S. Chenduran: Okay. In terms of percentage, it would be around 6% to 7% of the overheads has come down.

P. Sundararajan: Chenduran, this GST revision also will help you

S. Chenduran: No, that was not part of Q2, that will have more impact in Q3

P. Sundararajan: He was asking for the future. Yes.

S. Chenduran: No, he was asking for Q2. So Q2, it was overheads, 5% to 7% reduction.

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

Chirag Shah: Congratulations on the good set of numbers. Sir, my first question is with respect to U.S. So, as the new order season starts or would have actually started, what are the initial figures coming from customers? If I understood correctly, you indicated that even in Q3, there is not going to be any margin pressures versus Q2 for the U.S. order, maybe 1 - 1.5% kind of a margin pressure because of some arrangement with respect to tariffs. So is this pertains to old orders where we are executing and the new order cycle discussion has not yet happened? Or if you can just share some light?

- S. Chenduran:** Okay. So on the new orders, there have been orders from the customers, thanks to the kind of relationship and association and the product category that Young Brand are doing. Young Brand is 90% U.S. customers. So on behalf of Young Brand, because of relationship and the product categories, we've had interactions with the customers.
- And except one smaller customer, the key customers have been continuing with us, and we have even received orders for even Q4. So it is not that we have any issues with orders, and they've also been patient knowing that the tariff situation will change. So we've not had any major issues with getting the orders.
- Chirag Shah:** As of date, where tariff is at 50% for the new order, what is the arrangement? What kind of impact we may have to bear unless this 25% goes away?
- S. Chenduran:** So, you're asking about the 50%?
- Chirag Shah:** Yes. So of the 50%, I think the 25% was anyway agreed between you and customers when it happened. And then when the additional 25% came in, for the new order, what is the discussion around the additional 25%?
- S. Chenduran:** No. So whatever we gave or whatever we shared with the customers was considering the 50% because we all knew that it will be reversed, the 25% penalty will be reversed at some point. So the arrangement for the additional 25% was still the same. So, there is nothing that we have contributed specifically for this. So we discussed only based on the additional 25% also.
- Chirag Shah:** And if the memory serves correct sir, if I can just add one small piece and then you can answer, sir. So in the first 25%, almost everything was customer was bearing. And the discussions that were happening is how the channel share the additional 25%, right? That was the initial what most of the Indian government companies are indicating.
- S. Chenduran:** No. So earlier, it was the 10%, additional 10% and then it moved to 25% and then 50%. So there were conversations for the 10%, yes, but nothing happened immediately from the 10%, it moved to 25%. So 25% is when we spoke about whatever contribution from the entire supply chain. And even after the additional 25%, we still have that conversation. What we agreed with the customers was for the entire 50%, but not for the longer term. So it was only for the short term, hoping that will be reversed.
- Chirag Shah:** And that arrangement continues even for new orders?
- S. Chenduran:** Correct. Currently, it continues for the new orders as well.
- P. Sundararajan:** Yes. Let me explain to you more clearly. Regarding this additional 25%, customers are hoping that this will be reversed soon. But even otherwise, the American customers all of a sudden cannot move the business suddenly from India to another country. So they are waiting for this season, they will be managing it with some price contribution from both the sides. And they also were able to increase their retail price a little bit over there to manage the situation.

But if this 50% continues, so definitely, in the next season, that plan go up, so they will move 50% of the business from India to other countries. On the subsequent season, they will exit completely if this 50% continues. So that's the situation. So, we are also now mitigating the risk parallelly, we are also entertaining some of the big European and the U.K. customers in order to mitigate this risk. So we also have a backup plan for that.

Chirag Shah: Yes. And we hope that EU FTA happens on time. And sir, just to clarify, you are indicating that at least for Q3 and Q4, there is no major risk to our margins, what we reported in Q2, subject except for the seasonal changes, which happens in the garment supply, correct?

P. Sundararajan: Yes. Q3 and Q4, we will maintain the same Q2 results.

Chirag Shah: Q2 results, yes. There could be seasonality led margin impact because the type of clothes you supply would change.

P. Sundararajan: Yes, we are working towards it. That's the guideline from us.

Chirag Shah: And this is helpful. And sir, any indication on the U.K. FTA when it will be taken up by U.K. Parliament because I understand it has not yet been implemented, right?

P. Sundararajan: Yes, it is that we hope only by before end of March, on the safer side. So nobody is waiting for that FTA to be announced. So otherwise, the business is going on.

Chirag Shah: So as of now, we had to pay the tariff, correct? Because it has not been approved by the U.K. Parliament as of now.

P. Sundararajan: Yes.

Moderator: The next question is from the line of Shradha Agrawal from Asian Market Securities.

Shradha Agrawal: Yes, just 2 questions. From our Sri Lankan business, do we service U.S. customers? Or are these predominantly U.K. clients that we service?

P. Sundararajan: Yes. With regard to S.P. Apparels Limited, currently, it is only for the U.K. customers, the U.K. and the European customers. And the approval process, factory audit process is going on for one of the American customers. So, because American customer also would like to have a footing in Sri Lanka for their business with big vendors. So there is probably either 50% tariff is revised or not, whatever it may be, we will be having at least one U.S. customer inch out of Sri Lanka, big volume in next financial year.

Shradha Agrawal: And if I understand you right? You said that you did INR 16 - 17 crores per quarter from Sri Lanka in Q1 and 2Q. Is that understanding right?

P. Sundararajan: First half.

- Shradha Agrawal:** First half, both the quarters combined INR 16 - 17 crores.
- P. V. Jeeva:** Yes, right.
- Shradha Agrawal:** And now you expect that number to move up to INR 25 crores on a quarterly basis starting Q3?
- P. V. Jeeva:** Yes, right. Exactly.
- Shradha Agrawal:** And sir, in terms of SPUK, so for SPUK, we do sourcing from our manufacturing facilities from Sri Lanka, India or we source from any other vendor for our SPUK business?
- P. Sundararajan:** SPUK is completely independent entity. So their plan is to source from anywhere in the world. They can source from Bangladesh, Sri Lanka, India or even Pakistan, wherever they want to. So they are free to do that. At the moment, they are predominantly sourcing equally between India and Sri Lanka, directly. All their orders are FOB orders to factories in Sri Lanka also.
- Shradha Agrawal:** And sir, just one question. I could not understand that you are trimming down on your capex plan or probably holding back your capex plan until clarity emerges on the U.S. tariff front. But given the fact that we are majorly exposed to U.K. and where U.K. FTA would only bring incremental opportunities, we would have rather gone more upbeat on the capex plans rather than curtailing it because our exposure is not as high in the U.S. still. So why are we sounding a little more conservative on the capex plan?
- P. Sundararajan:** No. I think you have not understood what I said. Probably I have not said it more clearly. The FY27, we want to stabilize the business because we have grown in a big way in India as well as in Sri Lanka. So there were operational challenges. So we want to take a break of 12 months to stabilize everything, so to break everything up and running. Then FY28, we will add another about 20% to 25% of capacity. That's our plan.
- Shradha Agrawal:** So sir, Sivakasi, you mentioned, right, from 100 to 150 machines, you've reduced capacity to 30 to 40 machines now. So what does that relate to?
- P. Sundararajan:** See, that is okay. There, again, because of the U.S. one, we plan for U.S. market business, but that has been temporarily on hold. So in the meantime, as Jeeva said that we are already offering this to other European and U.K. customers. From April onwards, it will be filled by these customers. So we have a backup plan.
- Shradha Agrawal:** But as of now, Sivakasi is catering to only U.S. customers?
- V. Balaji:** Shradha, let me explain you on this. See, we have at least 12-13% exposure with U.S. So suddenly, when the U.S. customers are kept on hold, all our expansion plan, more exposure with U.S. has stopped. So we need to bring down our sites where we expected more expansion.
- But now because the customers are not giving, waiting for the tariff thing to be cleared, so we have currently reduced the capacity that's it. So I cannot bring in a new customer into a new

factory immediately without audits being completed. So it will take 3 - 4 months for us to bring a new customer into the new factory.

Shradha Agrawal: And sir, just one last clarification. From Sivakasi, we are currently servicing U.S. customers more? Or how is the mix of customers from Sivakasi?

P. V. Jeeva: Actually, it was when we were running 100-plus machines, we were using for U.S. customers. But now we are using for European customers. As I said, we have to increase the capacity for European customers from March - April.

Moderator: The next question is from the line of Bhavin Chheda from Enam Holdings.

Bhavin Chheda: Sir, how much duty you're paying for selling in U.K. market, which after the parliamentary approval will become 0?

P. Sundararajan: That's 9.8% roughly.

Bhavin Chheda: And overall, as a percentage of turnover, U.K., is how much percentage of sales?

P. V. Jeeva: U.K. alone, it is around 70%.

Bhavin Chheda: 70%.

P. Sundararajan: If you take one customer is international, not only in the U.K.

Bhavin Chheda: So, FY27, you will have the significant advantage of FTA, right? So there is a scope to improve margins substantially in FY27 over current numbers?

P. Sundararajan: No, not substantially. This will be passed on because this is importing. So the brands, the retailers will take the advantage of it. Probably they may correct their retail prices. Maybe we may get another 1% or 2% because of the FTA thing, but not all of them, not considerably beneficial to us. Only thing is they can get more business.

Bhavin Chheda: Clarity would be passed on to the client.

P. Sundararajan: Exactly. And the orders, there may be an increase in the orders in India, like what is going to Sri Lanka and Bangladesh. India will also be flooded with orders.

Bhavin Chheda: And sorry, I missed out on your capex number for FY26 and FY27, if you can repeat the same in value terms?

V. Balaji: Sorry, can you repeat your question, please?

Bhavin Chheda: Capital expenditure in this year and next year?

- V. Balaji:** This year, first half, I think the numbers are all good. So second half, we are not looking at major capex. We may have a capex of INR 4 - 5 crores in second half. Next year, we are looking at a capex of INR 10 crores currently. No major expansion next year.
- Moderator:** The next question is from the line of Anil from SMIFS Limited.
- Anil:** Congratulations to Mr. Sundararajan sir and Mr. Balaji on a good set of number. Sir, a couple of questions. One is what is our order book, sir?
- P. V. Jeeva:** The order book –currently is about INR 350 crores, but we are expecting another INR 50 crores in a week time. So including that, it is INR 400 crores plus.
- Anil:** INR 350 crores plus
- P. V. Jeeva:** Yes.
- P. Sundararajan:** Yes. I mean INR 400 crores. So, which is another INR 50 crores.
- P. V. Jeeva:** Yes. INR 400 crores.
- Anil:** And second, during second quarter, I mean, I've seen that our realization per piece goes up, although it is down as of now Y-o-Y almost 3%. But what is the reason for that? Anything in particular?
- V. Balaji:** You're talking about the revenue?
- Anil:** Realization per piece, sir.
- V. Balaji:** Realization is purely on the product mix
- P. Sundararajan:** Mix of size, product mix. We have done some of the American men's wear also, then the European ladies wear pajamas also. So the product mix has gone up. High value has gone up.
- Anil:** So, you mean to say every year during the second quarter, the high-value items goes up and that's why realization per piece goes up in second quarter, particularly or there is no such trend?
- P. Sundararajan:** Since our capacities are increasing, so instead of focusing only on babies and kids, we have started focusing on adult products, men's and ladies. So, that will all come into production in Q2. So there's going to be a mix of about 10% to 20% over a period of time. So that will definitely improve the realization value per piece.
- Anil:** And this export number of 18.9 million is inclusive of Young Brand, right?
- V. Balaji:** No. It is only the export value of the garment.
- Anil:** No, I'm talking of volume numbers.

- V. Balaji:** 18.9 million is purely on the export division, not on young brands.
- Anil:** Not Young Brand, but so including Young Brand, what will be the volume?
- S. Chenduran:** For the quarter will be 6 million units
- V. Balaji:** Those are all rough numbers, but let me share you the correct number.
- Anil:** Sir, you were not there. I think somebody was asking what is the exact breakup of other income because in parent and in young brand, we are giving breakup in forex also. But for consol, there is no breakup as such. So now that you are there on the line, can we get a breakup?
- P. Sundararajan:** Balaji, when your line was disconnected, I answered the question of other income, as you know, duties of RoSCTL and RoDTEP and some of the domestic sales, and forex benefits. So all these, so you can answer the question now.
- V. Balaji:** You are looking at all the numbers. So, at 18.9 million pieces into INR 142 is roughly around INR 265 crores. Those are the exact number in terms of exports. And when you find the other income, other things like other operational expenses will be post to that. So you can just do a math on it.
- P. Sundararajan:** Yes, I told roughly around 8%, right.
- V. Balaji:** Roughly around INR 26 crores will be my RoSCTL and RoDTEP.
- P. Sundararajan:** About 8% on sales.
- Anil:** And sir, on this retail venture, we were trying to look for some strategic investor. Any update on that? And what are our expansion plans for retail?
- V. Balaji:** With respect to the plan, we are still looking, so if you recollect what Mr. Sundar spoke about in the Chairman speech, we are still looking for a strategical or a financial investor for expanding our brand Angel & Rocket. So we are still looking at it. Once we have the concrete data, we'll definitely share with you.
- Moderator:** Due to time constraints, we will take that as the last question for today. I now hand the conference over to the management for closing comments.
- P. Sundararajan:** Thank you. So as we have been committing, we have been able to achieve some numbers even during this crisis, like the U.S. tariff issues and our expansions in Sri Lanka, so many other challenges we have taken up in this quarter. But in spite of these things, we have been able to achieve these numbers. And with the same level of the speed, we will be able to maintain the same level of things.

And we expect this FY27 is going to be much more promising than this one. And we look at FY27 is the year where we really reached the new numbers. That's what we are looking at. So we thank you, everyone, for the continued support and the confidence and trust you have in S.P. Apparels, this company, as the shareholders. And I would like to thank you all once again for the time you spent, and thanks for the various questions. Thank you.

Moderator:

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