S.P.APPARELS LTD.

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Stock Code : 540048	Stock Code : SPAL
Ref: Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015	
Sub: Transcript of the Conference call held on 12th February 2025	

Dear Sir/Madam,

With reference to our letter dated 08th February 2025, intimation of Earnings Call for the Quarter ended December 31, 2024 to discuss the financial performance of the Company, held on 12th February 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
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Date: 2025.02.18 10:25:40 +05'30'

K.Vinodhini
Company Secretary and Compliance Officer

Encl: As above

"SP Apparels Limited
Q3 & 9M FY25 Earnings Conference Call"

February 12, 2025

MANAGEMENT: **MR. P. SUNDARARAJAN – CHAIRMAN AND MANAGING DIRECTOR**
MS. S. SHANTHA – JOINT MANAGING DIRECTOR
MR. S. CHENDURAN – 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 CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY25 Earnings Conference Call of S.P. Apparels 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 receive a conference call, please signal an operator by pressing star and 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 from Elara Capital. Thank you, and over to you.

Prerna Jhunjhunwala: Thank you, Mike. Good afternoon, everyone. On behalf of Elara Securities Private Limited, I would like to welcome you all for Q3 FY25 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 of the company; Mr. S. Chenduran, Joint Managing Director; Ms. S. Shantha, Joint Managing Director; Mrs. S. Latha, Executive Director; Mr. 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.

Sundararajan Mudaliar: Thank you, Prerna. Good afternoon, everyone. I welcome you all to the post earnings conference call for Q3 and 9M FY25 of SP Apparels Limited. Before I take you all through the performance and updates on the company's various segments, I would like to state before you some industry developments and dynamics which has placed us in an advantageous position.

The Indian textile and apparel industry has consistently shown resilience with the evolving global trade dynamics, driven by a combination of key recent developments, supportive government policies and increasing global demand, the next few years will be transformative for the industry, positioning India as a leading supplier of apparel globally.

The recent union budget has demonstrated a clear commitment on strengthening India's textile sector with strategic initiatives aimed at boosting cotton productivity, duty restructuring on textile and push for domestic manufacturing. In the broader context, the international market dynamics are also aligning in our favour, influenced by the China Plus One strategy, tariffs imposed by Trump government on China and political instability in Bangladesh. These macroeconomic developments have put India in a sweet spot.

Coming to our business performance, I'm happy to share that our new Sivakasi project is operational now, and we have started receiving inquiries from our customers. During the quarter, we have successfully added a new customer from the U.S. This is a resultant of cross-selling activities from newly acquired Young Brand apparel. The Sri Lanka operations have been showing strong traction with commitments from reputed customers. Overall, the current consolidation is on the right path, and we are gearing up for strong growth ahead.

Now I would like to move towards business updates on our segments. Spinning division: Despite facing challenges in the past due to volatility in the cotton prices, the situation has recently turned in our favor as cotton prices have decreased over the past few months and yarn prices have remained more or less stable. The newly announced budget has placed an emphasis on enhancing cotton production, which will stabilize the availability of raw material, thus lowering fluctuations in the cotton prices.

Our printing, dying and embroidery divisions are running at full capacity. Commenting on the Garment division; during Q3 FY25, the capacity utilization grew to 85% as against 78% in Q3 FY24. We are witnessing huge demand from our customers. And thus, to meet this growing demand, we are actively looking towards acquiring lucrative factories in Tamil Nadu to further expand our existing capacities. Our current order book stands at INR474 crores as of now.

On the Sri Lankan operations, we see a significant potential for growth given the current geopolitical trade shift. Our customers are eager to place more orders with us. Also, we are receiving traction from all our existing customers to begin the production from Sri Lanka factory. The audits have been under process and orders of one of our customers under production also out of Sri Lanka.

Over the next 2 years, we plan to increase our capacity approximately 2000 machines in Sri Lanka. With regard to Young Brand Apparel, over the course of the quarter, we have effectively merged operations and integrated our team to enhance efficiency. Our clients are satisfied with our deliverables, and we are building strong relationships with them.

Customer demand has been vigorous with request to double our capacities to keep up with their increasing needs. Nevertheless, as we are in the process of integrating the newly acquired company, we are cautiously scaling up our capabilities. By upcoming financial year, we anticipate installing additional machinery to meet this demand.

With regard to SPUK, our revenue for Q3 FY25 was GBP 2.31 million and GBP 5.22 million in 9MFY25. Our current order book is valued at GBP 3.2 million. The business model at SPUK is proving to be effective after a year of transition that included relocating our office and team restructuring.

Additionally, I am pleased to share that we have successfully expanded our customer base at SPUK by securing 2 new customers, increasing our total customers to 5 and with another 2 more potential customers currently in discussion. With this positive momentum, we are confident about FY26 and expect a robust year for SPUK.

In the Retail division, SP Retail Ventures reported revenue of INR18.7 crores during the quarter compared to INR14.9 crores in Q3 FY24. We are in the process of expanding Angel & Rocket, a U.K. based brand. Consistent with our previous communication, we are exploring equity fundraising options to fuel growth within our retail business. During Q3 FY25, the Crocodile saw a revenue of INR16.2 crores, A&R stood at INR2.44 crores.

The general outlook., in summary, our Garment division is experiencing robust demand and are adding customers at a healthy rate. We are proactively seeking to expand our capacity in Tamil Nadu by acquiring well established and operational factories. Our Sri Lanka operations have successfully passed the audit phase, and potential customers are pleased with our facility, positioning us to start receiving orders.

The integration of Young Brand Apparel is completed, and the brand is poised for future growth as we prepare to meet the rising demand. SPUK is on an upward growth path, and we expect the retail division to recover moving forward. With these developments, we believe to experience a 15% to 20% growth in the top line revenue.

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

V. Balaji: Thank you. Good afternoon, everybody. I will just run you through the financial performance of the company. On a standalone basis for Q3FY25, adjusted total revenue stood at INR233 crores, which is a growth of 3.6% year-on-year. Adjusted EBITDA stood at INR38.8 crores, which is an EBITDA margin of 16.6% and PAT for the current quarter stood at INR18 crores, which is a PAT margin of 7.7%. Our EPS stood at INR7.2 per share for the current quarter on a stand-alone basis.

On a consolidated basis, our total revenue for the current quarter stood at INR362.2 crores, which is at a growth of 40.9% year-on-year. And our EBITDA for the current quarter stood at INR53.8 crores and an EBITDA margin of 14.8% and the PAT stood at INR24.8 crores, which is at a PAT margin of 6.8%. Our EPS for the current quarter stood at INR9.9 per share on a consolidated basis for the current quarter.

On the segmental performance, our Garment division stood at INR319 crores as against INR225 crores. Going forward, Garment division will also include the Young Brand Apparel's revenue. So, when you look at Garment division performance for the current quarter, we have achieved INR319 crores, including Young Brand. And for the 9 months ended, we have achieved INR947 crores as against INR684 crores year-on-year.

At the EBITDA level on the Garment division, we stood for the current quarter, adjusted EBITDA stood at INR54.22 crores as against INR38.71 crores. For 9 months, adjusted EBITDA stood at INR153 crores as against INR127 crores. On the SPUK vertical, we have delivered INR25 crores of revenue for the current quarter as against INR13 crores year-on-year.

For the 9 months ended, we have achieved INR57 crores as against INR43 crores year-on-year. Our EBITDA margin is -0.02 million, which comparably is flat. On our retail performance, we have achieved a revenue of INR18.66 crores as against INR14.87 crores year-on-year. For 9 months ended, we have achieved INR56 crores of revenue as against INR57 crores year-on-year. Our EBITDA margin for the retail division stood at minus INR87 lakhs. We are looking at flat EBITDA margins going forward.

Our current debt position as on the standalone basis stood at INR208 crores gross debt, and the net debt is INR187 crores. All Other information is available in the presentation, and we can get into the question-and-answer session.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Rehan from Equitree Capital.

Rehan: I wanted to understand the impact of forex on the realizations of SP Garmenting division because I believe you are 80% hedged and 20% unhedged. So if you can help us understand the same? Do we get any benefit with the depreciation of the currency? Or how does it work out for us?

Moderator: Ladies and gentlemen, we have the management back connected. Mr. Rehan, if you could repeat your question once more?

Rehan: Sure. I just wanted to understand the movement of the forex on our realizations, if any, because I believe we're 80% hedged and 20% unhedged. So, considering the rupee depreciation, any benefit do we see going forward?

V. Balaji: See, realization and rupee depreciation doesn't have any correlation. So, whenever we get the order, we cover 80% and 20% is kept open. This realization is only because of the product mix changing. Nothing to do with the dollar appreciation or currency depreciation.

Rehan: Got it. So, over the last 8 quarters, if we see the ASPs which are reported in the presentation, there has been a degrowth of almost 10%. So, in Q3FY23 you report ASPs around the range of INR150. And now this quarter, you've reported around INR130 mark. Can you help us understand what has led to such lower ASPs because this is really hampering the top line performance of the standalone entity. We've been flattish for almost 8 quarters. So, I mean, product mix change can only be to a certain extent. You're still selling similar products. But can you help us understand better what, anything we're missing?

V. Balaji: Yes. Just to give you how we work on the costing, we work on the costing based on the current market yarn rates. So, when there is a change in the yarn rates, definitely, there will be a reduction on the realization also. So, when you have looked into the numbers 10 quarters before, yarn prices were at its peak. So, my realization also will be on the higher side.

Now I guess we have settled down as the Chairman was saying that the prices have corrected considerably both in terms of cotton and yarn. The prices of realization also have come down. But I think we are at a bare minimum in terms of, I mean, the lowest line of the cotton and yarn. I don't think there will be any change in the yarn prices going forward. So, it is all depending on the yarn prices, I mean.

Rehan: Okay. Then even if I use that logic and when I calculated EBITDA per piece, over the last 4 to 6 quarters, your EBITDA per piece has come down. So that is a contra view to the same. I mean I can exclude the last 2 quarters because of the elevated employee cost that we've had for Sivakasi. I mean that's completely understandable. But still, there has been a huge delta in difference. So that's still not adding up. Is that's something

V. Balaji: When you look at Q4 and Q1, we had significant amount of air freights that was happening because of inefficiency of the fresh labour force that has come. So that has pulled down our EBITDA. If you look into the transcripts of Q4 and Q1, we ended up somewhere around INR3 crores, INR4 crores of air freights that happened, and that is why there was a pull down on the EBITDA percentage.

Rehan: Exactly. I'm not talking about the last 2, 3 quarters. I'm talking about 6 quarters back.

V. Balaji: No, I think EBITDA for Q3 was more than 18%. So, EBITDA for Q4FY24 was around 17% and Q1 also, there is a reduction in percentage. So only 2 quarters, we have reduced the percentage because of air freights. And Q3, Q4 is purely because of our inefficiency in the new labour force that has come up.

Rehan: Okay. So, keeping all this aside, how much do you budget from Sivakasi and the Sri Lankan entity that the company is expanding into at their respective peak revenues like from Sivakasi and Sri Lanka at peak, I mean, not initially because I understand it takes time to ramp up the business and it's not easy. But what do you see in FY26 you can achieve from both these entities?

V. Balaji: See, Sivakasi is something that's a brand-new factory with all fresh workers. So, it will take its own time to pick up. We have to fill the factory, train the people and bring up the efficiencies. So that will start showing the results only after about 12 to 18 months' time. So that is only for the future, that capacity. But to quickly grow the capacity, we have opted for the Sri Lankan capacity where the factories are good, and the workforce is available, and skill set is very good.

So, as I mentioned, I think a few quarters before, now it's Sri Lanka operations up and running. And we are negotiating about 2-3 more new factories. So, which means that we expect FY26 the Sri Lanka operation alone, we will be able to run about 1,000 machines, which can bring about INR200 crores as an additional business in the top line.

Rehan: Okay. And Sivakasi, you're not budgeting anything for FY26. Is that correct?

V. Balaji: Yes, very nominal, very meagre. So probably about INR10 crores, INR20 crores of business.

Rehan: Understood. But Sivakasi, after 12-18 months, what's the peak revenue that, that unit can generate? INR150 crores, INR100 crores?

V. Balaji: Probably after 18 months, it can generate about INR50 crores.

Rehan: Okay. Understood.

V. Balaji: See, as I told you strategically, the challenge is only the capacities where we have been able to fill, but the efficiency is a problem because of all crushers and trainees, all migrants. And there are always challenges with regard to attrition and other things. So, we always have new projects, acquisition of factories within Tamil Nadu. And the third one is increasing in the existing strength.

And the fourth one is offshore production. So, we had these 4 options. All the 4 we are working towards. We have new projects. Sivakasi, we have acquired Young Brands, and we are increasing our existing capacity by bringing in migrants and we are already up and running in Sri Lanka operation. So, I think we are very clear in our direction.

Rehan: Understood. MD sir, you had mentioned that you're also evaluating in Tirupur and Tamil Nadu any opportunities that you can acquire units. So recently, about 2 weeks back, there was a sourcing company in our country that acquired a Tirupur-based apparel exporter that caters to the same product mix, same client as you guys. That capacity is about 40 million pieces per year. Any reason we didn't look to go and get into the same?

V. Balaji: Okay. That is, you are talking about PDS from London. Yes, the outlook of management, it differs from company to company. We want to move away from Tirupur cluster because we feel it's always a challenge to increase the capacity over here. There is going to be only increase in inflation of wages and coaching, only these things can happen because it's a cluster. Tirupur is a cluster. So only thing is you have to bring in more workers into this cluster. You cannot get anything more locally.

But probably that company has thought this could be ideal one because it's a running one to invest in this company. But whereas we believe in moving away from cluster to the rural side where we can take fresh people, train them for the future and acquire in different places. That is our strategy. So, it is completely a different outlook.

Rehan: Understood. Balaji, sir, if you can help me understand the EBITDA contribution from Spinning for the quarter?

V. Balaji: What?

Rehan: Spinning division EBITDA for the quarter, please.

V. Balaji: In terms of number, I guess it should be anywhere around INR4.8 crores to INR5 crores.

Moderator: We have the next question from the line of Raman KV from Sequent Investments.

Raman KV: Sir, I just want to understand the Young Brand Division's FY26 revenue, how much are we expecting?

V. Balaji: In terms of absolute exports, it should be around INR310 crores to INR315 crores is what we are budgeting. And on the total revenue front, it should be around INR350 crores. That is what we are budgeting now.

Raman KV: INR300 crores to INR315 crores absolute exports?

Sundararajan Mudaliar: Yes, yes. This is including other income and local sales, etc.

Raman KV: Okay. And I also have doubt with respect to SPUK. So SPUK, we have been getting orders and you said we have added 2 new customers and yet we are not able to have EBITDA positive. So, can you give any guidance on that particular aspect?

V. Balaji: See, whatever customers which we have added are all current. I mean, like last 2 quarters, we have added. So, the overheads because of the change in the team, change in the place all will absorb once we reach GBP 2.5 million top line. So, I guess going forward, because of the additions of new customers, our revenue will definitely go beyond GBP 2.5-3 million, and we'll be able to do EBITDA positive going forward.

Raman KV: So INR2.5 million per annum, right?

V. Balaji: Not rupees, GBP 2.5 million pound.

Raman KV: So, once we reached the.

V. Balaji: What we have done for the current quarter is GBP 2.31 million for the current quarter.

Raman KV: Okay. And so, I want to understand how are you planning to scale up your retail division and gain some market share or increase the revenue aspect on that particular front? And how do you plan to improve the profitability? Because even that is, I guess, from what I have seen from the PPT, that is also EBITDA negative.

Sundararajan Mudaliar: I think that Chenduran, our Joint Managing Director will be able to answer.

Chenduran Sundararajan: Yes. So, I mean, in terms of the EBITDA level, we have reached close to EBITDA breakeven. And with regards to the expansion going forward, as we said earlier in the call that we are looking to raise equity, and there's been conversations which have happened over a few months. And until we get that in, we are going to expand only with around 20% of growth because we want to maintain consistency in terms of breaking even at the EBITDA level and be careful in terms of working capital and increased inventory.

So, at the moment, without raising equity, our growth plan is around 20%. And the primary growth is going to come from the wholesale and distribution where we sell Crocodile. In terms of Crocodile, we sell our athleisure and undergarments across the country. So currently, we've expanded only in the 2 states in the South, which we started last year, but that's growing well. We've got a good response from the MBOs on the tertiary sale. So slowly, we'll scale up across all the 4 states and then east and west of the country for the next 2 years.

Raman KV: Okay. So, you're expecting that by FY26, the retail division will be profitable?

Chenduran Sundararajan: Definitely. We're already on our way. We are almost there's been a few issues from the long-term receivables, which I mean, I don't want to mention the company, but Future Group, and we've been still fighting for that.

Raman KV: Sir, can you come again with the future group?

Chenduran Sundararajan There's been a long outstanding from the Future Group with Central and Brand Factory stores. So that is still all of the brands are still fighting with them, and you know what's happened with the Future Group. So, there is some money outstanding, which we're trying to recover. And that's something we are yet to know. But going forward, once that's addressed, there's no issues in terms of the profitability. We will definitely be making EBITDA breakeven each quarter.

Moderator: We have the next question from the line of Aabhash Poddar from Aionios Alpha Investment Management.

Aabhash Poddar: So just my first question was understanding on Young Brands. Sequentially, there's been a margin improvement despite an absolute revenue decline. So, if you could just talk about how we think about margin in Young Brands for Q4 and for the entire year? Because I understand you had already guided that long term, you are looking at 18% margins over a period, but you are already there in this current quarter. So just your thoughts on Young Brands margin performance for Q4 and in general for the full year FY26 would be helpful.

Sundararajan Mudaliar: See, the Young Brand margin will be more or less the same in terms of EBITDA percentage. Only thing because it's already mature with the production, the factory the business is mature, so the EBITDA value terms would increase only by increasing the capacities. Yes, we'll be planning for increase in the capacity. We can go up to INR400 crores of business in the existing setup over a period of about 2 to 3 years' time. So, there will be a growth of at least about 30% to 40% next 2 to 3 years' time, which in turn will improve the EBITDA margin in terms of percentage and the value.

V. Balaji: Mr. Poddar, one point, we have been guiding for 15% of EBITDA margins in Young Brand. However, this quarter, we find that the EBITDA margins have increased purely because of the realization in terms of dollar because we don't have a hedging policy there. So currently, whatever funds that we are receiving is getting in at the current market dollar rate. So that is why the realization is on the higher side and our EBITDA margins is on the higher side.

Going forward, our hedging policy, we will align with the current parent company and try to move towards the same hedging policy. Currently, we don't have a hedging policy there. That is why the realizations are on the higher side. You will find the exchange gains on the higher side.

Sundararajan Mudaliar: So, we will maintain 15% of EBITDA. And over a period of 2 years' time, we can go up to INR400 crores.

Aabhash Poddar: And second question was just a bit of a clarification when earlier you said you are looking at 15% to 20% growth from here on, this was only implied for the standalone garment business, and this is more value growth and not volume, right? Is my understanding correct here?

Sundararajan Mudaliar: Yes, it's only the 15% to 20% growth is only on the SP Apparel Limited Garment division growth and its standalone basis.

Aabhash Poddar: And more for the value front and not the volume because there's a difference in the volume and value. So just clarifying is that realization challenge or realization because of product mix anniversarized and from next quarter onwards, volume and value growth would be similar. Would that understanding be correct?

Sundararajan Mudaliar: Actually, as Balaji said, the unit value has got 2 factors to decide. One is the raw material prices and the exchange rate. Another one is the product mix. So, it is something we are almost always in the tight prices only. So, if at all the realization value changes, it will be due to the raw material and exchange rate and the product mix only. So otherwise, we have no issues in growth rate only by the capacity and the output efficiency, everything. By adding Sri Lankan operations, that is going to definitely give a big support to the existing business and will take it to the next level because the efficiency is much, much better than India. And the availability of capacities is much better than India.

So, we are very confident that as I told you before that in the next 2 years' time, we will be running 2,000 machines in addition. So currently, we are running 500 machines here standalone basis, leaving 1,300 machines of Young Brand. So, this 5,000 plus 2,000; so 7,000 machines we will be expecting FY27.

Aabhash Poddar: Perfect. And sorry, just if I may squeeze in one more. Just to understand on the Sri Lankan operations, if you could just reiterate how does the P&L or our investments look like? So if we are doing, say, INR200 crores of revenue in FY26 on the Sri Lankan side, how does the EBITDA look like in that business? Because I'm assuming it's lower considering we have to share it with the partner. And what is the investment that we'll have to do, whatever that amount may be? If you just finally clarify on that front?

V. Balaji: Mr. Poddar, currently, we are only looking at a job work kind of conversion kind of work on a TMT basis. Going forward, however, if we are going to invest on the capacities in Sri Lanka, then the metrics will change. Currently, we are looking at only a job work kind of mechanism with the Sri Lankan factories, where it will be on the EBITDA level, you can look at around 10% on the EBITDA for the business that comes from the Sri Lankan factories.

If we are setting up our own factory, then the metrics will change because we are not sharing the EBITDA margins with the existing factory setup, then it could be at the same level of 18%. And we are looking at investing into 1,000 machines going forward, not beyond that. It could be around INR50 crores to INR75 crores.

Moderator: We have the next question from the line of Shaurya from Arjav Partners.

Shaurya: Just one clarification. You said Young Brand should be able to do around INR350 crores revenue next year, right?

V. Balaji: Yes, correct. We are budgeting for INR350 crores.

Shaurya: And at peak capacity it will be INR400 crores.

V. Balaji: No, that full utilization level, it can go up to INR400 crores.

Sundararajan Mudaliar: If we run the entire capacity of 1,350 to 1,400 machines, then it can touch INR400 crores.

Shaurya: Okay. And this will be over and above the 15% to 20% growth, right, this time Sri Lanka.

Sundararajan Mudaliar: Come again, please?

Shaurya: You said you're expecting 15% to 20% growth. So, this will be over and above that, right?

Sundararajan Mudaliar: Yes, this is only from standalone of S.P. Apparels Limited. Including Sri Lanka operations, we expect 15% to 20% growth in the next 2 years' time.

Moderator: We have the next question from the line of Rehan from Equitree Capital.

Rehan: I just wanted to understand the order book currently for YBAPL?

Sundararajan Mudaliar: Order book of YBA, Chenduran, do you have any idea of order book?

Chenduran Order book is about INR40 crores. It is a lot more than that, sorry. The order book is around INR85 crores.

Sundararajan Mudaliar: Okay, INR85 crores. Yes.

Rehan: So, this year, even if I extrapolate the numbers, it becomes around the INR300 crores mark, like excluding this Q1, we had that by the time we got the consolidation benefit, it took some time. So are we seeing only a high single-digit kind of growth from YBAPL because I think we've done about INR170 crores, INR180 kind of crores in the last 2 quarters. And if you see Q1, there was another INR60 crores. So that's INR230 crores. And even if I use the same number and I extrapolate from the current.

Chenduran Sundararajan: We would be at INR305 crores to INR310 crores for this year. So, as you said, this is the first year where we took over effectively from the second quarter. And effectively, only after this year, can we look at how much of growth we look forward for the next year because we've not even had the full year. And it's a matter of utilization of the machines and the order book is quite good. But this year, I don't think talking about the growth compared to like-for-like last year would be ideal, but we should take this as the benchmark and look forward to the next year.

Rehan: Understood. MD, sir, the 15% to 20% growth on the standalone business, I just wanted to understand that you mentioned it was over 2 years.

Sundararajan Mudaliar: Yes, over 2 years because we are adding Sri Lanka operations. So, it is coming straight away with immediate effect because it's up and running factories.

Rehan: Understood. No, because primarily our concern from our standpoint is that at 85% utilization in the standalone business, we do about INR1,000 crores, INR1,100 crores of top line. And even if we push that utilization to 90%, which is our ambition, and I see clearly that we are getting there, that is not going to change the delta more than 5%, 7%, 10%.

And with Sri Lanka coming on, that also adds only about that much. So, I'm assuming purely current realizations, I'm not pricing in for realizations. So, but your parent entities, your customer base have been indicating slowdown. Primark, Tesco, other companies have been revising their guidance. So can you help us understand from the demand point of view, are we seeing such robust demand?

Sundararajan Mudaliar: Yes, of course. See, as we mentioned many times, this anti-China thing and the Bangladesh instability, even yesterday, we had a customer who has shown that the American customer who has been getting huge production out of Bangladesh, he has shown me a video in the factory where they are producing their orders. They are in a terrible situation. They said that in 6 months' time, they want to come out of Bangladesh.

This is just one customer statement. So, it was previously, everybody, the retailers were under the impression, they will not add more business to Bangladesh, which means it was Bangladesh plus 1, which means they will not increase the business with Bangladesh, but they'll maintain the business what they have been currently doing.

But today, the scenario is the political situation is so bad, they want to pull out the business and completely come out of Bangladesh. So, the immediate destination for them is only India, which again, the back door of India is Sri Lanka. So, the Indians are mostly going to have the Sri Lankan operation. So, we call it as India, Sri Lanka is one country.

That's the kind of the outlook we have. So naturally, the order book will never be an issue. Yesterday, when we spoke to that customer, American customer, within 5 minutes, we said, yes, we are okay, go ahead with Sri Lankan production. Whatever capacity you take, we are ready to feed the capacity. It's no issue.

So, all our existing customers, all the 4 and 5 existing customers have given a consent to take the orders for production out of Sri Lanka. And already one customer already we started production, shipments have started going from Sri Lanka. So, the reason is the customers are forcing us to take Sri Lanka production. So that's the way it goes. I don't see any risk in terms of filling the capacity.

Moderator: We have the next question from the line of Raman KV from Sequent Investments.

Raman KV: Sir, I just wanted to understand the number of machines that Sivakasi currently has and what it has by the end of FY25? And what is it planning to add in FY26?

V. Balaji: Currently, the field capacity is 440.

Raman KV: 440 machines?

V. Balaji: Currently roughly around 50 machines. By March '25 we should expect it to reach 70. And March '26, we should see around 225 machines.

Raman KV: 225 machines. And capacity is of 440?

Sundararajan Mudaliar: Every month about 20 machines.

Raman KV: Every month, you are planning to add 20 machines now?

Sundararajan Mudaliar: Yes.

Raman KV: And you said something 440 machines in the starting?

V. Balaji: That is the field capacity.

Sundararajan Mudaliar: That's the installed capacity.

Raman KV: Installable capacity is 440. So, when are we planning to reach this mark?

Sundararajan Mudaliar: Two years' time. Another 1 more year to go. So next year, by now we should be able to reach

Raman KV: By FY26 end, right?

Sundararajan Mudaliar: Yes. '27 March.

Raman KV: '27 March, which is like FY '26 end.

Sundararajan Mudaliar: Yes.

Raman KV: And sir, with respect to Sri Lanka, what is the current capacity? And what are we expecting? You said you are planning to add 2,000 machines more in 2 years' time, right?

Sundararajan Mudaliar: Two years' time. So, all in all, that's the proposal. We are working towards that. There must be lot of ifs and buts, but we don't see any difficulty in that. Currently, we are running about close to 300 machines already the orders are running. From August onwards, we will be running about 800 machines.

Raman KV: Okay. And sir, in Sivakasi, my understanding, if my understand is correct, we are manufacturing Young Brand, right?

P.V. Jeeva: No, no, no. We are manufacturing this S.P. Apparel.

Sundararajan Mudaliar: Parent company factory.

Raman KV: So, sir, then what is the average price per this thing? Can you give a rough figure what is the average price per unit of lot sold?

P.V. Jeeva: Yes, at the moment, it's INR135.

Moderator: We have the next question from the line of Rahil Shah from Crown Capital.

Rahil Shah: Sir, from what I understood based on your guidance outlook you're giving, is it fair to say you will reach INR1,600 crores or more in the next year, financial year? Overall, for the group?

V. Balaji: For the group, yes, we should reach INR1,600 crores.

Rahil Shah: Okay. And for the Q4 in the next financial year, any EBITDA margins outlook you can share, if not like exact numbers, but given the current prices and how do you expect them to?

V. Balaji: We don't give EBITDA margins for a company as such. We give EBITDA margins for the verticals. So for the Garment division, we are expecting 18% EBITDA margin. And retail, we are expecting it to be flat in terms of EBITDA. And SPUK, it should be around 4% to 5% on the EBITDA margin.

Rahil Shah: And this is you're expecting for the next year, correct?

V. Balaji: Correct, correct.

Rahil Shah: Will it also be the same for next quarter as well, Q4?

V. Balaji: Quarter 4, for the whole 9 months, we have done 78% EBITDA. We have been guiding for 18%. However, I think we will fall short for the whole year, if you look at, we should be falling short by 40-50 bps.

Rahil Shah: And the material pricing will only head upwards from here, right? They have bottomed out, you said?

V. Balaji: Which one, material cost?

Rahil Shah: Yes, the raw material prices-

V. Balaji: Yes, yes. We feel that the cotton prices, yarn prices have come to the bottom. We hope that it should stabilize for next at least for 3, 4 months now at least.

Rahil Shah: And then if it moves upwards, then it will only help our realizations, correct?

V. Balaji: Yes, correct.

Moderator: We have the next question from Prerna Jhunjhunwala.

Prerna Jhunjhunwala: Sir, I have 2 questions. One is what is the revenue share between kids and adults now?

V. Balaji: Revenue share between kids and adults?

Prerna Jhunjhunwala: Yes. So, children wear and adult wear that you began.

V. Balaji: Kids should be 80% and adults wear should be 20%.

Prerna Jhunjhunwala: Okay. And do you see further improvement in this mix towards adult wear going forward?

V. Balaji: It can move up and down, but we feel that it will be 70:30 going forward. If the Sri Lankan operations kick in, then it should be 70:30.

Prerna Jhunjhunwala: Okay. Understood. And what will be the overall Capex for FY25 and FY26 for the company as a whole?

V. Balaji: For FY25, we have done 9 months. So, I think the data is available in the exchanges. But for FY26, I guess, if we add up capacities in Sri Lanka, then the Capex could be on the higher side. Anything around INR70 crores, INR80 crores of Capex for the FY26?

Prerna Jhunjhunwala: Excluding Sri Lanka, this is?

V. Balaji: No, including Sri Lanka.

Prerna Jhunjhunwala: Including Sri Lanka, okay. And FY25, how much we incur for 9 months, because we don't have balance sheet for 9 months.

V. Balaji: I guess it should be around INR70 crores for the current year.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand over the conference to the management for closing comments.

Sundararajan Mudaliar: 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 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 years ahead. Thank you.

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