S.P.APPARELS LTD.

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November 20, 2026

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

Scrip Code: 540048

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

Symbol: SPAL

Dear Sir/Madam,

Ref: Regulation 30 & 46 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015
Sub: Transcript of the Conference call held on November 16, 2026

With reference to our letter dated November 11, 2026, intimation of Earnings Call for the Quarter ended September 30, 2026, to discuss the financial performance of the Company, held on November 16, 2026, please find the attached transcript of the aforesaid conference call and the same has been uploaded to the website of the Company as well.

This is for your information and record.

Thanking You.

Yours faithfully,

For S.P.Apparels Limited

Vinodhini K

K.Vinodhini
Company Secretary and Compliance Officer

Encl: As above

"S.P. Apparels Limited

Q2 & H1 FY27 Earnings Conference Call"

November 16, 2026

MANAGEMENT: **MR. P. SUNDARARAJAN – CHAIRMAN AND MANAGING DIRECTOR**

MRS. S. LATHA – EXECUTIVE DIRECTOR

MRS. S. SHANTHA – JOINT MANAGING DIRECTOR

MR. S. CHENDURAN – JOINT MANAGING DIRECTOR

MRS. P.V. JEEVA – CHIEF EXECUTIVE OFFICER

MR. V. BALAJI – CHIEF FINANCIAL OFFICER

MR. JOEL BOSTOCK – BUSINESS HEAD – S.P. APPARELS UK LIMITED

MODERATOR: **MS. PRERNA JHUNJHUNWALA – DAM CAPITAL ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to S.P. Apparels Limited Q2 and H1 FY27 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Prerna Jhunjhunwala from DAM Capital Advisors. Thank you, and over to you, Ms. Jhunjhunwala.

Prerna Jhunjhunwala: Thank you, Michelle. Good afternoon, everyone. Welcome to S.P. Apparels Limited conference call discussing the earnings as well as business update for Q2 and H1 FY27. We would like to introduce the management of S.P. Apparels represented by Mr. P. Sundararajan, Chairman and Managing Director; Mrs. S. Latha, Executive Director; Mrs. S. Shantha, Joint Managing Director; Mr. S. Chenduran, Joint Managing Director; Mrs. P.V. Jeeva, Chief Executive Officer; Mr. V. Balaji, Chief Financial Officer; and Mr. Joel Bostock, Business Head, SPUK London.

Thank you for joining in the call. And I would now like to hand over the call to Mr. Sundararajan for opening remarks. Thank you, and over to you, sir.

P. Sundararajan: Thank you. Good afternoon, everyone, and welcome to S.P. Apparels' Q2 and H1 FY27 Earnings Conference Call. Thank you for joining us and for your continued confidence in the company.

The first quarter was impacted by uncertainty around U.S. tariffs, which led some of our American customers to defer order placements. We began to see a clear improvement in the second quarter. Consolidated revenue for Q2 FY27 stood at INR 452.2 crores, registering growth of 12.8% sequentially and 5.8% YoY. This sequential improvement reflects the gradual normalization of customer ordering patterns and provides a stronger platform for the second half.

For H1 FY27, revenue grew by 2.7%. More importantly, EBITDA increased by 9.8% and profit after tax rose by 11.9% to INR 61.9 crores. Earnings per share improved to INR 24.7 from INR 22.1 in the corresponding period last year.

In the half year marked by orders deferral, profit growth meaningfully outpaced revenue growth. This reflects the resilience of our operating model, the benefits of a better product mix and our continued focus on operating discipline. We see three important factors supporting our outlook for the second half of the year.

First, visibility on customer orders have improved. The tariff-related uncertainty that affected ordering decisions in the first quarter has eased and our U.S. customers have confirmed orders. We are seeing greater clarity in the order pipeline and the renewed willingness among customers to place business with Indian manufacturers.

Second, global sourcing strategies continue to evolve. The China Plus One strategy, along with the emerging diversification of sourcing away from Bangladesh is creating opportunities for

established suppliers in India and Sri Lanka. Customers are increasingly evaluating alternative sourcing destinations, and we are engaging with customers looking to expand their business with us.

Thirdly, we have capacity in place to respond to this opportunity. Utilization in the quarter was 74%, primarily reflecting the timing of customer orders rather than a lack of available capacity. We expect utilization to improve to around 80% in the near term and reach 80% to 85% by the end of March.

As volumes ramp up, we expect better absorption of fixed costs and the benefits of operating leverage. Alongside the improvement in demand visibility, we are continuing to broaden our customer base. A new U.K. customer has commenced production and shipments have already begun. Production and shipments for a new U.S. customer are expected to commence from February.

Together with SPUK and the Young Brand Apparels, the group now serves more than 16 customers. This expansion across customers and geographies is strategically important. It broadens our opportunity set, reduces dependence on individual customers and strengthens the foundation for more sustainable growth.

Within the Garment division, we are working to increase the contribution of adult products to our overall product mix. We believe this will support a more balanced portfolio and create opportunities to improve realizations.

Sri Lanka is developing into an important second manufacturing base for the group. Operations are fully up and running with the exception of one factory that is awaiting customer approval. We expect to secure this approval over the next 3 to 4 months' time with shipments from that facility likely to begin in the next financial year. In the interim, the factory is engaged in the job work, ensuring that the facility remains operational while we complete the customer approval process.

By FY28, we expect all 4 factories in Sri Lanka to be operating on our own FOB orders. In India, customers have also approved additional capacity, and we expect utilization of this capacity to improve from FY28. Looking ahead, we are evaluating opportunities to add 1 or 2 more factories as part of our next phase of growth while remaining focused on disciplined execution and returns.

Our current order book stands at INR 450 crores from SPAL. Young Brand Apparels delivered its strongest ever quarter with adjusted operational revenue of INR 109.1 crores, representing growth of 29.4% year-on-year. Order confirmations from U.S. customers are in place and the additional production facilities have started contributing to revenue. We expect these facilities to enter full commercial production from next quarter, supporting the business as volumes scale up. Our current order book at Young Brand stands at INR 175 crores.

SPUK continued its strong growth trajectory. Revenue more than doubled to INR 38.1 crores in Q2 FY27 compared with INR 18 crores in the corresponding quarter last year, an increase of

111.8%. For H1 FY27, revenue stood at INR 71 crores compared with INR 33 crores in H1 FY26.

The business has added 3 customers, while discussion with additional U.K. retailers are progressing. Retailers increasingly value supplies that can combine a proven operating track record, financial strength, design capabilities and the local presence. SPUK is well positioned to address these requirements and deepen customer relationships in the U.K. market.

As the business scales and revenue builds, we expect its operating performance to improve. Based on the current business outlook, we expect SPUK to reach EBITDA breakeven in Q3 and turn EBITDA positive in Q4. Our current order book at SPUK stands at GBP 4.5 million.

Our Retail division has made steady progress and its performance deserves recognition. The business has remained EBITDA positive for 5 consecutive quarters. In H1 FY27, it reported EBITDA of INR 0.5 crores compared with an EBITDA loss of INR 1.5 crores in the corresponding period last year, while half year revenue also recorded growth.

Our online and direct-to-customer consumer business has grown threefold and is contributing to both revenue growth and profitability. Like-for-like sales across our 45 exclusive stores are progressing well and inventory remains under control. Retail is increasingly demonstrating the strength of a more focused operating model. It is no longer a drag on the group. It is moving towards becoming a self-sustaining contributor to the company's performance.

To summarize, we entered the second half with improved order visibility, easing tariff-related uncertainty, favourable shift in global sourcing and capacity ready to support higher volumes. At the same time, our businesses are becoming more diversified across customers, geographies and channels.

Our priorities remain clear: convert the improving order pipeline into profitable growth, raise capacity utilization, strengthen execution across our manufacturing platform and maintain financial discipline. We remain focused on delivering our guidance for FY27 and believe the progress underway positions S.P. Apparels well for the next phase of growth.

Thank you once again for your continued support. I will now invite Mr. Balaji, our Chief Financial Officer, to take you through the financial performance in greater detail. Thank you.

V. Balaji: Thank you, sir. Good afternoon, everyone. I'll just guide you through the financial performance of Q2 and H1 FY27, focusing on three key themes: the recovery in revenue momentum, stronger growth in profitability relative to revenue and balance sheet that provides foundation to support for the next phase of growth.

On the consolidated basis, revenue from operations for Q2 FY27 stood at INR 452 crores compared with INR 427 crores in Q2 FY26, representing a year-on-year growth of 5.8%. Compared to Q1 FY27, revenue of INR 401 crores, representing a sequential growth of 12.8%. Consolidated revenue for H1 FY27 stood at INR 853 crores, up 2.7% year-on-year. With the Garment division, export net sales realization improved to INR 162.9 per piece from INR 142.3 per piece corresponding to the last year, an increase of approximately 14.5%. This was

supported by a better product mix. Young Brand Apparels recorded an adjusted revenue of INR 109 crores in Q2FY27, up 29.4% year-on-year on sales volumes of 7.6 million pieces. SPUK also delivered a strong growth with Q2FY27 revenue increasing by 111% to INR 38.1 crores.

For H1 FY27, Consolidated EBITDA increased by 9.8% to INR 128 crores, while the EBITDA margin improved to 15% from 14% in H1 FY26. For Q2 FY27, Consolidated EBITDA stood at INR 66.7 crores from INR 63.6 crores in Q2FY26, up 4.7% year-on-year and 8.6% sequential improvement with an EBITDA margin of 14.7%.

Profit before tax for H1 FY27 was INR 87.3 crores, an increase of 9.3%. Profit after tax improved by 11.9% to INR 61.9 crores, and the PAT margins improved to 7.3% from 6.7% in the corresponding period last year. For Q2 FY27, PAT was INR 37.1 crores, up 6.8% year-on-year and 49% sequential growth. Quarterly earnings per share stood at INR 14.7 compared to INR 13.8 in Q2 FY26.

Finance costs for the quarter declined to INR 6.3 crores from INR 14.9 crores in Q1 FY27. The higher first quarter finance costs included an exchange loss arising from the restatement of packing credit. At the segment level, the Garment division, including Young Brand Apparels, reported an adjusted EBITDA of INR 123.6 crores for H1 FY27 with a margin improving to 16.8% from 15.9% in H1 FY26. Young Brand Apparels adjusted EBITDA increased by 34.7% to INR 30.7 crores in H1FY27, while the PAT grew by 29% to INR 19.1 crores in H1FY27.

On a standalone basis, S.P. Apparels Avinashi reported an adjusted EBITDA margin of 16.7% in H1 FY27 and compared to 16.5% in H1 FY26. PAT increased by 9.1% to INR 51.5 crores. Retail also continued its improvement, reporting EBITDA of INR 0.5 crores forH1FY27, comparing an EBITDA loss of INR 1.5 crores in H1FY26.

As on 30th September '26, the company total equity stood at INR 1,011 crores compared to INR 946 crores as on 31st March and cash and cash equivalents stood at INR 69 crores comparing previous year. Capacity utilization was 74% during the quarter across 5,700 machines compared with 4,950 machines in the corresponding period last year. The additional capacity is already in place.

As customer orders ramp up in the second half, we expect higher utilization to support revenue growth and improve fixed cost absorption. On the debt position as on 30th September. On a standalone basis, long-term debt stood at INR 53 crores and the working capital stood at INR 251 crores and gross debt at INR 304 crores and the net debt of INR 243 crores.

On a consolidated basis, as on 30th September'26, long-term debt stood at INR 78 crores and working capital stood at INR 355 crores and the gross debt stood at INR 433 crores and net debt at INR 364 crores. The detailed financial information is available in the investor presentation updated to the stock exchanges.

Now, the floor will be open for question and answers.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Rehan from Coheron Wealth.

Rehan: Congrats on a better-than-expected set of numbers. I just had a couple of questions from the management. First is the base business at Avinashi. On a year-on-year basis, we've not seen any incremental growth as such. Last year, for the quarter standalone at Avinashi, we did about INR 308 crores. And this year, we did about INR 290 crores.

So, any reason for the same because that business is not really impacted by tariffs, that is usually the U.K. and Europe customers. Any business update you would like to give on the same as to why there's any slowdown for that?

P.V. Jeeva: So, we have clearly explained that we had yarn's contribution of 20%. So that has really impacted us about 20%. That is why this problem is. And in last quarter, we have mentioned that for Q1 and Q2, this impact will be there. But Q3 onwards, we'll be picking up. The same way from Q3, it is really picking up and U.S. customers have also come back. So, from Q3, Q4, we'll be on track.

Rehan: Okay. And Primark was supposed to make an entry into India. Hello...

V. Balaji : Yes, Proceed.

Rehan: Yes. So, Primark was supposed to make an entry into India a couple of years back, and you guys were tying up for some sourcing in India as well. Is there any update on that?

V. Balaji: Primark, we already have Primark as far as...

P. Sundararajan: Primark is very strong in India sourcing.

Rehan: No, no. I meant in India, they were going to...

P. Sundararajan: Not at the moment. They in fact concentrate more into Middle East and South America and the U.S. now.

Rehan: Okay. And the Sri Lanka facilities, what's the current machine count that we've done? And what was the revenue we did in Q2 from Sri Lanka?

V. Balaji: On the machine count, we have 1,700 machines in Sri Lanka currently, of which we have done INR 45 crores for the first half.

Rehan: And H2, how much are we expecting, a ballpark figure?

P.V. Jeeva: First half, we have done INR 70 crores. And for the second half, we are expecting INR 80 crores. Put together, INR 150 crores for this year.

Rehan: Okay. We were supposed to do about INR 300 –-250 crores this year. So, are we short of that?

V. Balaji: FY27, we expected INR 190 crores from Sri Lanka. And next year, FY28, we expected INR 400 crores. That is what we have already planned. Now because of this U.S. issue, we may end up anywhere between INR 150 crores to INR 170 crores.

P. Sundararajan: One of the factories -- out of 4 factories, 1 factory is getting delayed for customer approval. That is why, it has been a struggle in getting the top line up. As I mentioned in my speech, it is already under sale out now. So probably first shipment from the fourth factory will start from April '27.

Rehan: Okay. And what about the capacity expansion at Salem?

S. Chenduran: Hello. Can you hear me?

Rehan: Yes, perfectly.

S. Chenduran: So, in Salem we've just started production. We just have 40 machines installed. 40 machines currently operational. And the plan is for that to grow to 300 machines in the next 6 months.

Rehan: Okay. So, 40 machines up and running, right?

S. Chenduran: Yes. So, it's just running trial orders and training and all that at the moment. It started in August, and it should be fully operational by mid-Jan and with 80 machines running. And 3 months from there, it should be 200 and then 300 machines.

Rehan: Okay. So, this quarter of YBAPL would be a steady-state kind of revenue going forward, considering now you have more machines and the tariffs are also easing?

S. Chenduran: Yes. So, this growth that we've had in Q2 has also shifted some from Q1. It will continue as it is –and the same can be expected in H2.

Rehan: Okay, noted. And considering that we also have the ability now considering the possible preferential tariff. Any other further expansion we can do in YBAPL if any big material order materializes for us?

S. Chenduran: Yes. I think we are in the process. So, we are not going to add other customers from the U.S. We are, in turn, planning to add customers from U.K. and Europe. But the existing customers' growth, whatever it is, will be capitalized by Young Brands with the preferential tariff.

Rehan: Okay. So, by March, what would be the total capacity of machines in YBAPL?

S. Chenduran: Yes, all the units put together, it will be a capacity of 1,500 machines by March.

Rehan: Okay. Okay. Noted. Balaji, sir, could you just confirm EBITDA from spinning for H1, please, the yarn division?

V. Balaji: Spinning on first half, we have done close to INR 15 crores.

Moderator: The next question is from the line of Prerna Jhunjhunwala from DAM Capital.

Prerna Jhunjhunwala: Congratulations on a good set of numbers, sir. Just wanted to understand the macro scenario now with respect to how U.K. and Europe customers are trying to leverage the FTA opportunity? And how are we looking at leveraging the same?

Any further updates beyond customer addition in terms of how you're interacting with them and how they are booking capacity? Are they in a rush or not? I mean just trying to get a feel of what's happening on the ground?

P.V. Jeeva: Yes. Actually, it's really good for India, and we started getting good inquiry after FTA. And the customers, they themselves say that they want to reduce the risk of Bangladesh, and they are moving some quantity to India. We are also getting good inquiry from India. They are asking us to increase more capacity. So, from front end, we have a good potential.

P. Sundararajan: And the import landed cost is at par with Bangladesh now for India due to FTA thing. So, it's on same level playing for Bangladesh and India and Sri Lanka. So always they are looking for moving away from Bangladesh. So, it's the best opportunity with them. They are pushing India capacities more and more now.

Prerna Jhunjhunwala: Okay. And even after adjusting the labour cost, we are at par is a very important comment that you made, and this helps us to understand that we are at level playing field with Bangladesh now. So that is a good thing.

P.V. Jeeva: Yes. One point I need to add here. It's level playing in terms of fashion products, value-added products. For basic products, core line, for volume line, still Bangladesh people. So, we are okay for the fashion products.

Prerna Jhunjhunwala: And what would be the difference between the two? I mean, will the difference be not be that significant enough that we can grab more orders.

P. Sundararajan: No, no. Fashion products, the order sizes are comparatively smaller compared to the basic size, where it runs in several hundred thousand. So, Bangladesh is still stronger in running those products because their efficiencies are much more than Indian efficiency. But still over a period of time, India will also be up to Bangladesh costing for even volume.

Prerna Jhunjhunwala: Understood, sir. And second question was what was the reason for our margins to decline on a YoY basis in the Garment business?

V. Balaji: Sorry, one more time on the question.

Prerna Jhunjhunwala: Sir, Garment business on a YoY basis, the margins have declined despite spinning doing much better this quarter. So, what was the reason behind the decline in margins in the garment business?

V. Balaji: The top line coming from Sri Lanka where you don't get duty drawback benefits of 6.5% is bringing down the margin on an overall basis. We have guided for a 15% EBITDA margin where that includes the Sri Lanka business also. So, on the overall revenue, there is Sri Lanka business to an extent of INR 60 crores, which is bringing down the margin where there is only 10% margin there.

P. Sundararajan: And over and above that, there is preoperative challenges are there. So that is also pulling down the margin of Sri Lanka, which should be okay in the next 2-3 months' time.

Prerna Jhunjhunwala: Understood. That's really helpful. And in terms of Retail business, sir, what are we planning to do going forward in that business?

V. Balaji: Retail business. Chenduran sir?

S. Chenduran: So, in terms of Retail, the plan is to continue to grow organically at the moment. So, we've sustained this for almost 5 quarters now, EBITDA profit. The plan is to get to a PBT profit and continue with that for the next 3 quarters. And then like we've always said, probably raise capital from the market, either through private equity or SME listing.

And after that, we will plan for the growth. So, at the moment, the ratios and numbers are all good. We want to see this for 3 more quarters. And based on that, the growth will come from the kids wear, Angel and Rocket as well as Crocodile will be an organic growth brand.

Moderator: The next question is from the line of Bijal Shah from RTL Investments.

Bijal Shah: Sir, first question is on the INR 2,000 crores revenue target for FY27. If you can give an update on that?

P. Sundararajan: Yes. As per the guidance, yes, we are on track. We expect the second half to be more than the H1, and we are definitely on track. Everything is going as we plan.

Bijal Shah: So, we should see kind of INR 600 crores kind of revenue in Q3 and Q4?

V. Balaji: See, with respect to revenue, we expect a 95% achievement on the guidance what we have given. Still, we are hopeful of achieving the numbers, but I think there are a couple of pushovers on the revenue front. So, we may end up 95% of the guidance what we have given.

Moderator: Sir, I'm sorry, the participant has left the queue. We'll move on to the next question from the line of Bharat Sheth from Quest Investment Managers Private Limited.

Bharat Sheth: My first question is pertaining to, you said that in Sri Lanka, so we may expect from INR 200 crores to INR 250 crores. So, is that one of the reasons for, I mean, some dip in the targeted revenue? And again, we are talking of INR 400 crores kind of revenue from Sri Lanka next year. So, whether that is achievable or not, if you can give some colour on the Sri Lankan business? And with revenue increasing, is there any room to improve the margin from Sri Lankan business?

V. Balaji: So, with respect to your question on the revenue from Sri Lanka. So actually, if you recollect what the Chairman spoke on his opening remarks, we have cleared three factories from Sri Lanka. We are yet to have one more factory cleared.

Once that factory is also cleared, we expect that full utilization to come up with respect to FOB orders, and we will definitely reach out INR 400 crores of revenue from Sri Lanka in FY28. With respect to margins, since there is good scope for us to improve on the revenues, which will dilute the fixed overheads. So, we expect the margins to improve going forward.

P. Sundararajan: But we give a guidance of 15% EBITDA.

V. Balaji: For the Garment division.

P. Sundararajan: Garment division. For SPAL and Sri Lanka together.

Bharat Sheth: And to take it again from, Sri Lanka, how do we plan to leverage our presence? And do we have any plan for expansion in the Sri Lanka?

P. Sundararajan: Yes, during my speech, I clearly mentioned to you that we have a plan for adding another 2 factories or equivalent to 1,000 machines next year. That's our plan. So, there's going to be a continuous growth in Sri Lanka.

Bharat Sheth: Okay. And coming back to now Young Brand Apparel, which has done excellently well in H1. So how do we see utilization and facility? And when do we expect further growth and how we are able to add more customer over there? So next year, how do we see for Young Apparel? And I believe that you said that H2 will be more or less like H1 for Young Brand Apparel, correct?

S. Chenduran: Yes, correct.

Bharat Sheth: And how do we expect Young Apparel to perform next year? And do we have a capacity constraint over there? Or how do we plan to grow?

S. Chenduran: So, in terms of the business and the orders, customers, it's good. So, because of the tariff reversals, the penalty reversals from the U.S. and the growth from the existing customers is also positive for Young Brand. And we are planning to add 1 or 2 of U.K. customers as well for Young Brand business to make sure the geography is derisked.

In terms of utilization, the main facility the utilization has to be improved, but it is tricky because it's closer to Chennai being an urban centre. The growth will be coming from the other 2 factories, one in Salem and the other one in Tirupur. So, Young Brand has 3 facilities at the moment. And going forward, there's plans for Young Brand to get into other categories in the intimate wear as well. That will be effective next year.

Bharat Sheth: And I believe you said that we are also adding capacity in the Salem. So, whether that will take FY28 growth? - So how do we expect now on a such high base Young Brand Apparel to grow in FY28?

S. Chenduran: Sorry, I missed your last question, just your last sentence?

Bharat Sheth: See, in Salem, we are also adding new machines. Is that correct understanding?

S. Chenduran: Correct.

Bharat Sheth: That will take the growth for FY28. And is there further expansion anywhere for Young Brand Apparel and with new addition of the customer, how do we expect Young Brand Apparel growth in FY28?

S. Chenduran: So, guidance-wise, we would definitely be growing at least at 20%. And the growth will come from Salem. So, the expansion will happen in the Salem factory.

P. Sundararajan: So not ruling out the opportunity of one factory for Young Brand Apparels in Sri Lanka as the customers are emphasizing to have one more setup in Sri Lanka to mitigate the country risk.

Bharat Sheth: Okay. Great, sir. And now coming to our base business of children wear. So, sir, how do we expect that business to really take its shape? I mean as you said that some of now new orders have been started flowing and expansion of I mean, U.S. tariff issue has been on the back burner. So how do we expect that our base business to grow? And are we planning further addition in capacity or new customer?

P. Sundararajan: You're talking about which division?

Bharat Sheth: Children wear, original. I mean...

P. Sundararajan: Okay, parent company. So, we are already in the process of moving to older girls and older boys, that is older children. And already we have started with men's and ladies wear. So, over a period of time, the contribution of adult wear will be slightly more and older girls and boys will also increase. So slowly, the babies product will get diluted.

P.V. Jeeva: Yes, your question is regarding capacity growth. As I mentioned earlier, from Q3 onwards, we are really picking up. And Q3, Q4 will be better. And from next year Q1, we are increasing our capacity by another 700 machines by using own same factory because last year, because of U.S. tariff, our 1,000 machines have reduced. So, we are regaining those 1,000 machines from April onwards. So next year, definitely, we'll have a good growth in revenue.

Bharat Sheth: Okay. Great, sir. And sir, would you like to give some kind of colour this year for Garment division, we are targeting 15% EBITDA margin. So next year, on a larger revenue base, were cost absorption is higher. So how do we expect next year kind of I mean, some colour on the EBITDA margin?

P. Sundararajan: Yes, the colour is very bright, hopefully, for '28. Definitely, as I told you that we will be able to maintain average of 15% as a consolidated basis, for Garment division. . So definitely, it is very promising. Our plans are very promising because Sri Lanka is getting set in the next 2- 3 months' time, the capacities, operations, everything.

And U.S. tariff has been stabilized and our India factories are getting fully filled very gradually, and we increase the customer base and the Young Brand is doing a fantastic growth. So, putting all together, yes, definitely, we expect at least 10% to 15%, that growth as the guidance. That's what we are working towards.

Moderator: The next question is from the line of Rohan Shah from RS Investments.

Rohan Shah: I think my all the questions are covered, but I have one question left. Could you provide an update on the performance of Angel and Rocket brand, including the traction seen across stores

and online channels? And how do you see the brand scaling over the next 2 to 3 years? And what is your outlook on its contribution to the Retail division?

S. Chenduran: Yes. So, in terms of Angel and Rocket, at the moment, we have 7 stores across India and the revenue from the stores alone is around INR 70 lakhs per month and online contributes another 50% of the overall turnover. So, it's primarily company-owned stores and the company.com website.

Going forward, at the moment, the contribution to the whole business is around 12% to 15%. Crocodile does the other 87%. But going forward in the next year and the year after, there are plans to open more COCO stores. We are already in the plans to open 4 more stores at the moment.

And by end of 2028, we should be having at least 20 to 25 standalone stores. And online also is growing around 200% to 300% each year. That will continue for the next 2-3 years, and then the growth percentage might come down. So typically, it should be around INR 40 crores in the next 2 years. And this is all dependent again on the bottom-line consistency and the equity into the Retail division for the growth.

Moderator: The next question is from the line of Runit Kapoor from Equitree Capital.

Runit Kapoor: Hi, am I audible?

Moderator: Yes, you are audible.

Runit Kapoor: Yes. So, my first question is I see your finance costs have decreased significantly on a year-on-year basis despite the borrowing increasing. So why is that sir?

V. Balaji: So, in the opening remarks, we have explained to you about the interest cost coming down purely because of the restatement of the packing credit in dollar terms. So, by 30th June, you know that dollar was at INR 96-97. And the losses on the restatement is charged to my finance cost because it is a packing credit. Subsequently, dollar has depreciated. And now on 30th September, we have a dollar at INR 94. So that reversal is giving the impact on the finance cost. That is why it has come down.

Runit Kapoor: Okay. And my second question was on this YBAL. So, what basically drove the strong revenue growth in this quarter? And considering that Salem is still pending and now what would be your peak revenue capacity for YBL post how many machines are expected by the end of the year?

S. Chenduran: So, in terms of the first half and the second quarter, the growth has come from increased efficiency. That's contributed almost to a 15% increase. Utilization has remained the same. And the way forward will be more growth will come from improved utilization and the expansion in the other 2 facilities in Salem and Tirupur. And by the year-end, in terms of the machinery, at the moment, we are running around 1,100 machines all put together. By the end of the year, we should be at 1,250 machines running.

Runit Kapoor: What, 1,500, for the year end?

S. Chenduran: No, 1,300.

Runit Kapoor: Okay. And another question was, if I see SPAL's standalone business, so that has a very low exposure to U.S.A. So, what is the reason for the decline?

V. Balaji: So, I think with respect to SP Apparels, we have clearly indicated that Q1 and Q2 had an impact because of the tariff issue. And whatever revenue from U.S. customers started coming up only post August. So, we have already indicated that Q1 and Q2 because of U.S., there will be reduced business.

Runit Kapoor: Okay. And for S.P. Retail, I see that there are some store closures which happened during this quarter, based on the presentation. And you have increased the number of distributors. So, has there been a change in the strategy?

S. Chenduran: In terms of store closure, it is not a lot. Compared to last financial year, yes, it has. But the biggest contribution of the strategy change has come from the online sales. So, we have exited, I think, 4 stores since last year, but we've also moved to more franchisee stores and the growth has significantly come from online business.

The other aspect to the growth in retail has come from institutional and corporate business. So, the orders from corporates, we supply T-shirts to big corporates in IT and pharma and all that. So that business has also grown now significantly.

Runit Kapoor: And just to understand like for S.P. Retail, what will be the percentage of in-house manufacturing?

S. Chenduran: It's almost zero. So, everything is currently outsourced fully.

Runit Kapoor: Nothing from SPAL or anything?

S. Chenduran: No, no.

Runit Kapoor: Okay. And last question is regarding your expansion in Sri Lanka. So, I wanted to understand your strategy comparatively, like if I see the Indian garmenting peers are moving each towards to Odisha and Jharkhand and Bihar. So, are we also considering that? Or if we are not, any particular reason? Because the labour cost is efficient compared to Sri Lanka in that region. So, any particular reason for that?

P. Sundararajan: Yes, it's a good question. Yes, there both the options are available. Either we can go up to Northeast states of India and there reasonable workforce is available, but everyone is raw. You have to recruit them, train them and improve the efficiency. That is on one side.

On the other side, Sri Lanka, there are good factories available with workforce experienced with more efficiency at an affordable price. This is the first advantage. And second advantage is that even if you put up a factory in Northeast side of India, it will take at least 2-3 years to reach a level where you can get the reasonable efficiency, even it will take 4 to 5 years' time.

Whereas in Sri Lanka, from the day 1, you acquire this factory, the production is getting, we will immediately book the orders from the day 1 onwards. And the third point is with regard to the access to Sri Lanka is much easier for us than going into Northeast side of India.

And also, another one is if you put up a new factory, you need some time to get this factory approved by our existing customers because they need at least the history of 6 months' time, whereas in Sri Lanka, immediately, you can offer the factories to customers for approval. So, these are the advantages, which we strongly believe so far, this is working out well for us.

Runit Kapoor: If I talk about scalability, like you're talking about Sri Lanka being INR 400 crores, but I'm saying in the next 3 to 5 years down the line, is there enough scalability in the country for S.P. to evaluate?

P. Sundararajan: Possible. Scalability will be greater and faster when compared to India new projects.

Moderator: The next question is from the line of Prerna Jhunjhunwala from DAM Capital.

Prerna Jhunjhunwala: I had just one question on SPUK. I wanted to understand what is the opportunity that we see in SPUK in the next 3 years? And what is the steady-state margin that we are forecasting for this business? That is my first question on SPUK?

P. Sundararajan: Your voice is breaking. Can you come again?

Prerna Jhunjhunwala: Yes, my first question is SPUK is on its long-term growth, where it can reach in the next 3 years? What will be the drivers? And what should be the steady-state margins that the business should achieve over the next 3 years?

P. Sundararajan: Yes. Joel, over to you.

Moderator: Sir, his line just got dropped. I'm trying to connect him. He's connected now.

P. Sundararajan: Joel?

Moderator: Sir, he is not audible right now. He's connected. I can see his line connected, but he is not audible.

P. Sundararajan: Okay, fine. In the meantime, you asked something?

Prerna Jhunjhunwala: Yes. The next question is largely on SPUK only. So maybe I'll join back with the question

P. Sundararajan: If he's not connected, then I will answer. Yes. See, it's like this scalability is something because, as I always mentioned before, the numbers are not big. So, there is a big opportunity, big room for making bigger jumps in SPUK. So now SPUK has got about 5-6 customers. And everyone is very loyal to our business with SPUK.

And the –2-3 customers who we are working with them for the past 2-3 years, and they are fully satisfied with our way of working like product development, our range, design support,

everything, they are extremely happy. So, they want to grow their business. In addition to that, we have increased another 3 more customers.

Moderator: Sir, I'm unable to connect Joel because it's taking me to that recording part.

P. Sundararajan: Okay. No problem. So, we have another new 3 customers who have been very fully satisfied with our way of working, which includes Marks and Spencer also and Spencer and other 2 more customers, which will fetch another few more customers. That means we have very strong customer base whose volumes are very big.

And some of the major customers like Marks and Spencer, they are looking for full-service support like product development, design collections and take the orders and execute them. So that is the kind of a trend these big retailers are adopting now.

So, I think in the next 2-3 years' time, we should be able to grow double, if not double 50% to 100% growth. And naturally, it being a trading model, the fixed expenses will get diluted and the EBITDA margins will be much better.

Prerna Jhunjhunwala: Understood, sir. So, I was just wondering that this business should actually be much more scalable than what it has done till date. So, should this business actually grow at much faster scale? And on a sustainable basis, the growth should come in to make it much larger going forward. Just trying to understand whether this business can reach INR 1,000 crores kind of revenue in the next 5- 10 years because it is a trading business. The scalability is much faster in a trading business than a manufacturing business?

P. Sundararajan: Yes, yes. Our plan is to reach INR 500 crores in the next 3 to 5 years' time. So, if that grows once we are set, then it's easy because we'll start getting more and more customers. It's not a problem.

Moderator: The next question is from the line of Ashwin Reddy from Samatva.

Ashwin Reddy: My first question is on the Sri Lanka business. You mentioned that one factory is still not operational. So, would this cause any change in your guidance for FY28 from the numbers from Sri Lanka?

P. Sundararajan: Yes, it is not that it is not operational. It is operational, but we are doing a job work to keep the factory operational. So, once the customer approval is there, we got one of the largest customers of ours is under process. The approval process is already initiated. We expect this to be over before end of March. So, the we will start getting the orders shipped from April onwards.

So, if that comes the entire about 500 machines of that factory, which is the second largest factory in Sri Lanka for it. So that will bring in a huge contribution to the top line. And we are confident with that factory running along with the other 3 factories, we should be able to go close to INR 400 crores next year in Sri Lanka alone.

Ashwin Reddy: Got it. This is quite helpful and good to know. Second question is on the Retail business. So right now, we are saying it's EBITDA positive, but adjusted for rent and other expenses, which

I'm assuming some would come below the EBITDA, right, with the accounting standards. So, I wanted to know how is the profitability there? And how far are we away from cash flow profitability?

V. Balaji: So even on the cash flow front, we are positive.

S. Chenduran: I think he's asking about the cash profit. But to your point, I think all the expenses are considered. So, there's nothing below the EBITDA except the finance and depreciation. And probably in the next 6 months, we should be cash profitable as well.

Ashwin Reddy: But in the next 1-2 years, assuming that in case the funding does not go through from the private equity side or something happens on raising money, would you need to infuse money from the parent company into the Retail business?

S. Chenduran: Balaji?

P. Sundararajan: Can someone connect to Joel because he got unmute and disconnected. He's asking for reconnecting.

Moderator: Yes, sir.

S. Chenduran: Yes, Balaji, go ahead.

V. Balaji: So, with respect to infusion, we have already given support from the parent company, some secured loan. At some point of time, we may have to convert that into equity, which we will plan this financial year.

Ashwin Reddy: So, whatever has been given, I understand, sir, but would there be a need to infuse more funds into the Retail division?

V. Balaji: Yes. Their debt has gone up. So, we may have to infuse equity to reduce the debt.

Ashwin Reddy: Okay. Sir, but then internally, what is the timeline or milestone that you've kept saying that, okay, this is a milestone that we believe that the business has turned the corner at scale? Because I assume until you scale, it will also be difficult to raise money from the private equity funds also, right? So how do you see this? It's been long hanging. I appreciate your efforts going into it. But is it 2 years away, 5 years away or what milestone we are seeing at?

S. Chenduran: We are at that point in terms of the milestone. So, I think internally and both externally, we kept a milestone, we give it 8 quarters until it breaks even or consistently performs better, at least at the EBITDA level. And we've seen that in the last 6 to 7 quarters that we've been making EBITDA positive.

The only thing that's dragging it down currently is the higher debt, like Mr. Balaji said and the finance costs associated with it. So, we're at that point where we believe that this business has turned the corner. It will grow. And like I said to one of the questions earlier, Angel and Rocket as a new brand, which was launched in India in the last 4 years, has also performed well.

Our stores are getting good results. Online business is growing and the overheads are very much under control. Gross margins have improved as well. Inventory is quite healthy. So, all the metrics that we kept internally are quite healthy. So, we are at this point where we will be keen to convert the debt to equity and also infuse more money into the business because we internally believe it's been doing well and consistency has also happened.

And definitely, I mean, the best thing would be to raise money from the market. But we are also working towards that parallelly. But in spite of all of it, the business will continue to grow with the support from the parent company. And that's purely based on the performance of the business as a whole.

Ashwin Reddy: Got it. So, one clarification regarding the same thing. So, when you say EBITDA positive, now within the accounting rules, I'm assuming that these rentals and etc., are not part of EBITDA. Isn't it?

S. Chenduran: No, they are.They are part of the operating income…

Ashwin Reddy: So, I means everything is included on the cost saving.

S. Chenduran: No, that's actually a good point, which we have not.

Moderator: The next question is from the line of Betul Shah from RTL Investments.

Betul Shah: So, my question is when you get 3 more customers in SPUK, does that mean that whatever they buy a good part of that comes to S.P. India? So incremental revenues will come from that also?

P. Sundararajan: No. As I mentioned many times, SPUK is a separate business entity. It has got nothing to do with the parent company. Parent company has got their own customers and the Young Brand has got their own customers, and the SPUK has got their own customers. So those 3 customers will be supporting the business of SPUK only.

Betul Shah: Okay. Got it. And sir, can you give some guidance for FY28 and FY29 given the fact that now headwinds are behind and U.K. FTA is done. Most likely, EU also will become operational. So, if you can give some thoughts, what kind of revenue you are targeting for next 2 years?

P. Sundararajan: 15% roughly the guidance for next year.

Betul Shah: Sorry, I did not get it.

P. Sundararajan: 10% to 15% growth we expect for the next financial year. That's the guidance we can give you now. And EBITDA for Garmenting will be on an average of 15% as the Sri Lanka business grows.

Moderator: The next question is from the line of Amish Kanani from Knowise Investment Managers.

Amish Kanani: Sir, I just wanted to understand our India business versus Sri Lanka business. How are customers viewing us and both our U.S. customers versus our U.K. and rest of the Europe customers in the sense that when you're getting an inquiry, one, are they treating us as one S.P. Apparel Group

and deciding whether they want to buy it from India and Sri Lanka? And is our facility fungible between India and Sri Lanka?

And also, is there a possibility in the future of shifting from one place to another, vis-a-vis Bangladesh since we are getting the advantage. Is it a possibility that customers view us as one large group, which can kind of supply them from anywhere between India and Sri Lanka and should we be benefiting out of that?

And depending on the tariff versus the cost benefit and the incentive that Indian government offers versus Sri Lanka, do we have a choice to kind of take the orders from the customers back?

P. Sundararajan: See, the customers have been very clearly explained about the business model of SPAL between India and Sri Lanka. And they are comfortable with the business model, which means the model says that the shippers, the exporters for those retail customers are only S.P. Apparels Limited India. The commercial invoice will be raised from India, our parent company, whereas Sri Lanka will sell those garments to India. I mean S.P. Apparel will buy it and they will ship it.

And once they ship it directly on the high sea, we will invoice to our customers, which is fine for our retail customers because as long as there is only one single supplier in their system, they are comfortable. And whenever the new order comes, we will decide this needs to be produced in India or this needs to be produced in Sri Lanka, customers are fine with it. And that's very simple.

I mean like from their perspective, India and Sri Lanka are just one. I mean we call it ISL, India-Sri Lanka as one country. Only the country of origin differs. Otherwise, from their perspective, S.P. Apparels India only. And they don't mind how you transfer the order there or not. That's not their problem.

Amish Kanani: Okay. And sir, about how are they perceiving U.S. customers now perceiving given that there is some stability and there was a statement last week by Commerce Ministry also that, at least from a tariff perspective, we are probably getting some preferential treatment. How are our U.S. customers treating us versus U.K. and rest of Europe, which also probably will come into FTA? Is there a preference that they are showing to our Indian facility versus Sri Lankan facility?

P. Sundararajan: Definitely U.S. customers prefer India production to grow with us and at the same time; to mitigate the geo mix risk, they are asking us to have factory in Sri Lanka which they are fine with. So, we are working towards that for Young Brands. With regard to S.P. Apparels Limited Avinashi, parent company, we have not started any U.S. production or shipment out of Sri Lanka because already we have enough orders of U.K. and Europe to be filled in Sri Lanka. When the right time comes, we will also encourage U.S. to have the shipment Sri Lanka as well.

Amish Kanani: Okay. And sir, last question in that context, sir, we are looking at expanding both in Sri Lanka and also in India next year. So, any sense why are we doing that so aggressively vis-a-vis last -- mainly this year where the uncertainties were higher? And is it keeping a particular geography in mind, both India and Sri Lanka?

V. Balaji: No. The factories which have come up in Sri Lanka, we need to spread it out before adding more expansion to the company. So, we are looking at increased utilization level at Sri Lanka so that we can look at new factories or looking at expansion.

P. Sundararajan: By end of March, we are confident that we are hopeful of getting all these 4 factories are well set in terms of feeding material supply or capacity utilization, efficiency, on-time deliveries, quality, compliances, everything. Almost we have been able to do it, achieved about 80% to 90%. In next 2-3 months' time by end of March, we'll be fully settled. And then we'll think of another 1 or 2 factories equivalent to 1,000 machines for FY28, which we will reveal in our next financial sales budget.

Amish Kanani: Okay. And then if you can quickly remind us of our hedging policy, both from a procurement of cotton and spinning perspective and rupee perspective, rupee volatility? A quick recap, sir.

V. Balaji: So, your question is on cotton policy?

Amish Kanani: On cotton and spinning procurement, how are we doing it region wise 3 months in advance or something like that? And how are we hedging it in rupee? Are we hedging everything 100% or we are keeping two-third hedging and one-third open, something on that?

P. Sundararajan: Procurement for cotton, we generally keep 45 to 60 days' stock inventory depending upon the availability and the quality. So, it may vary from 30 days to 90 days. That is our cotton procurement policy, and we cannot hedge any rate because the cotton trading is not of that kind.

Amish Kanani: Final rupee volatility. Are we targeting some rates, because rupee is volatile around INR 95, sometimes INR 92, sometimes INR 94. So, are we hedging forward, say, two-third or something like that?

V. Balaji: We hedge 80% once we confirm on the orders. So only 20% is kept to open.

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

P. Sundararajan: Thank you. I wish to thank everyone whoever has participated, having the continued support and the confidence in the management. And I am confident so far, we have been able to meet up to your expectations, despite there are so many volatility in terms of policy, country competition and the import duties and tariffs of American, so many things. Still, we have been able to give continuous better results. And we stay confident the next FY, we are very optimistic about the performance of next year. We are working towards that. Thank you so much for participating.

Moderator: Thank you, members of the management. On behalf of DAM Capital Advisors, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.