



“PDS Limited
Q4 & FY ‘26 Investor Conference Call”
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PDS LIMITED

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Moderator:

Ladies and gentlemen, good day, and welcome to the PDS Limited Quarter 4 and FY 2026 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that, this conference is being recorded.

I now hand the conference over to Ms. Shirley Rodrigues. Thank you, and over to you, ma'am.

Shirley Rodrigues:

A warm welcome to all participants to PDS Limited Q4 and FY 2026 earnings call. Our presentation and financial results are available on the company's website and stock exchanges. Please note that anything said on this call which reflects our outlook for the future, or which may be construed as forward-looking statements must be viewed in conjunction with the risks that the company faces. The conference call is being recorded and the transcript along with the audio will be available on the company's website and stock exchanges.

Today, we have with us the management, which includes Pallak Seth, Executive Vice Chairman; Sanjay Jain, Group CEO; and. Sadik Sunasara, Group CFO. I now hand over the call to Sanjay Jain to make the opening remarks.

Sanjay Jain:

Thank you, Shirley. Greetings to everyone. Thank you so much for joining the earnings call. The year 2026 was a year that tested the resilience, agility and execution capabilities of global apparel supply chains. The operating environment remained very challenging throughout the year, shaped by cautious consumer sentiment, the evolving trade dynamics, we ramped geopolitical disruptions and the continued inventory discipline across global retailers and brands.

Notwithstanding the challenges, we delivered GMV growth of 5% to approximately ₹19,666 crores and a revenue growth of 4% to ₹13,110 for FY 2026. Importantly, this growth came in during a period where the broader apparel industry globally grew only very modestly and remained highly value-led in nature.

Within this context, we maintained stable though modest growth, but we did grow in the challenging time frame. It reflects continued customer retention and increasing relevance of scaled, compliant and flexible sourcing platform like PDS. And as we are into the year FY 2027, our order book as of early April stood at about ₹5,074 crores, reflecting a growth of approximately 11% and thereby providing an encouraging visibility into FY 2027. Plus within this order book, there is momentum building in higher value sourcing-as-a-service engagements in North America. In fact, while our order book on the whole is up about 11%. In North America, it is up closer to 30% as compared to same period last year. We continue to deepen our presence in the U.S. through new customer additions and stronger scaling across existing strategic accounts. A key milestone during the year was securing the new sourcing as a service mandate with a leading U.S. value retailer with a relationship, having the potential to scale beyond approximately ₹475 crores over a period of time.

This further validates our long-term strategy of building a higher value, service led sourcing platform rather than operating as a purely transactional sourcing partner. We're also witnessing

green shoots across the U.S. market with now close to five strategic partnerships established across leading global retailer and the brand ecosystem in U.S.

Structurally, we believe the global sourcing landscape continues to evolve in favor of diversified asset-light and compliant supply chain platforms. Retailers are increasingly consolidating their vendor base and seeking partners who can offer agility, diversification and speed-to-market, compliance and integrated sourcing capabilities across multiple regions.

While customers continue to remain cautious with shorter order cycles and selective order deferments in certain regions. We are not witnessing any broad-based cancellations and now are beginning to see stable throughput across the core sourcing platform. We informed you about this circa ₹475 crores scalable order of sourcing - as - a - service in U.S. and we are also witnessing a buildup of healthy traction in our U.K. and European markets for sourcing -as-a-service orders as well.

Alongside growth, we remain very sharply focused on profitability, cash generation and importantly, capital discipline. One of the important achievements during FY 2026 was the strengthening of our balance sheet and operating cash flow through disciplined working capital management almost across all our verticals and tighter operating controls, the net working capital days reduced from about 17 days, 1 year back to about 4 days at the end of FY 2026.

In fact, we added the New Lobster business about 2 years plus back, if we take that out of our calculation, which we are now increasingly trying to make working capital efficient, for the rest of the business, the mainly sourcing and manufacturing, it is almost down to 0 days or even slightly negative as well.

Business generated operating cash flow of approximately ₹781 crores during the year and net debt reduced from about ₹374 crores 1 year back to close to ₹100 crores. And this is despite the addition to the debt by way of the Knit Gallery acquisition, wherein the acquired company had its own debt as well. The consolidated position came down from ₹374 crores to about ₹105 crores net debt.

We remain focused on rationalizing loss-making verticals, curtailing investment into new businesses, strengthening our governance around capital allocation and embedding stronger cost discipline across the organization. Our investment into new vertical reduced by approximately 27% during FY 2026. While several restructuring and portfolio optimization initiatives are already beginning to improve the profitability trajectory of the business. In fact, in some of our mature businesses as well we took some call to rationalize the cost structures as well.

Alongside the financial discipline, we continue to sharpen our strategic positioning for the next phase of growth. Importantly, we are now transitioning from our technical cost stabilization to structural efficiently driven transformation. Our BCG-led cost transformation initiatives are now getting institutionalized through an internally named project, Project PULSE.

Our enterprise-wide digital backbone, integrating sourcing, supplier governance, procurement workflows, pricing intelligence and importantly, master data management are all getting unified into an AI-enabled platform thereby, whatever BCG gave a recommendation on procurement

efficiencies, we believe should get institutionalized. We believe this initiative should keep giving us benefit year-over-year.

And in some of our large verticals, besides the initiatives related to procurement efficiencies- we also witnessed room to improve the opex and the utilization thereof. And in the later part of the year, we took measures to in case we had to take some calls for redundancies. We took that and provided for that in the later half of the year as well.

As we enter FY 2027, we continue to remain mindful of ongoing macroeconomic and geopolitical uncertainties. We believe the foundations of the business have materially strengthened now. We're entering the New Year leaner, more disciplined operationally sharper and strategically better positioned to benefit from the emerging sourcing shifts and improving trade tailwinds globally.

With this, I would like to hand over to Mr. Sadik Sunasara, our group CFO, to walk you through the financial performance for the quarter and full year FY 2026.

Sadik Sunasara:

Thank you, Sanjay. Good evening, everyone. Let me take you through the key financial and operational highlights for Q4 and FY 2026. For FY 2026, the business delivered GMV of approximately ₹19,666 crores reflecting 5% year-on-year growth, while revenue grew 4% to ₹13,110 crores. From a margin perspective, gross margins for FY 2026 improved by 48 basis points to 20.6%, supported by procurement efficiencies, disciplined sourcing and some one-off opportunities in Q3.

On the opex side, we witnessed encouraging sequential improvements during Q4. Employee expenses remained largely flat versus the previous quarter, while other expenses declined by approximately 6% quarter-on-quarter, reflecting tighter operating discipline and ongoing cost optimization initiatives. And these are despite the additions in P&L of Knit Gallery in manufacturing and one vertical of GSCL,-Michael Lee business in sourcing side.

EBITDA for the year was ₹385 crores versus ₹457 crores last year. Other income almost doubled to ₹99.7 crores in FY 2026, primarily driven by FX gains and mark-to-market gains of around ₹19 crores on PDS venture investments.

We are witnessing positive traction across our venture tech investment portfolio with improving value realization, and it is now moving towards a self-sustaining model with new investments will only be done from cash realized from exits.

Finance costs for the full year was ₹146.5 crores, higher by about 16% compared to last year. If we remove Knit Gallery interest component, the interest cost on a like-to-like basis was only higher by around 3%. There's a decline of approximately 5.4% sequentially, supported by stronger operating cash flows and improved working capital efficiency. Effective tax rate for FY 2026 was 13.5% compared to 10.1% in FY 2025. As guided earlier, we have full impact of Pillar 2 now in our ETR. At India stand-alone level, we have taken an impairment of about ₹14 crores on investment in DBS lifestyle vertical. DTA on account of this and other losses have reduced our Q4 ETR to almost 7.9%.

PAT for the year was ₹178 crores versus ₹241 crores in FY 2025. Our profitability improved during the quarter, with Q4 PAT increasing almost 95% quarter-on-quarter to ₹72 crores compared to ₹37 crores in Q3, driven by improved operating leverage tighter control on operating costs and moderation in finance costs.

During the year, we undertook several restructuring and rationalization initiatives, including the closure of Design ARC branch and Lilly & Sid, consolidation of Design ARC Asia and Design ARC licensing business into Poeticgem vertical and other exits from loss-making businesses such as Grupo and J-Craft verticals.

We are engaged in strategic discussions with business heads of other verticals identified as part of our portfolio optimization initiative to improve overall profitability and capital efficiency. From a segment perspective, the sourcing business remained resilient, contributing revenues of approximately ₹12,399 crores with EBIT of ₹266 crores.

The Manufacturing segment also delivered strong performance during FY 2026, with revenues growing 31% year-on-year to approximately ₹1,034 crores and EBIT increasing to ₹57 crores, translating into EBIT margins of approximately 5.5%. The performance was supported by operational improvements, better factory utilization and the successful integration of Knit Gallery acquisition.

Our balance sheet continued to strengthen materially during the year. Sanjay has briefly mentioned the numbers. Net debt reduced sharply to around ₹105 crores as of March 2026 from ₹374 crores in March 2025, despite the consolidation of approximately ₹91 crores of debt from Knit Gallery acquisition.

Net working capital remained tightly managed at around 4 days, supporting strong operating cash flow generation of approximately ₹781 crores during the year. Capex during the year was almost reduced by more than half compared to FY 2025, reflecting disciplined capital allocation.

Our leverage ratios remain comfortable with net debt-to-EBITDA at around 0.27 and normalized return on capital employed at approximately 25%, reflecting improving capital efficiency and stronger balance sheet quality.

Lastly, I am pleased to share that we have proposed a dividend payout ₹3.3 per share, of which ₹1.65 per share was paid as interim dividend amounting to around 42% of FY 2026 PAT, maintaining our capital return track record.

With this, we'll now open the session for queries from all the participants.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Hitaindra Pradhan with Maximal Capital. Please go ahead.

Hitaindra Pradhan:

Hi sir. Thanks for the opportunity. So, sir, my first question is with regards to the gross margin. So sir, what is our outlook for gross margin and EBITDA margin for this year? If you can elaborate right on the vendor side and as well as on the client side, how the situation is currently and you can further gain on gross margin from Europe?

Sanjay Jain: Yes. I think as we mentioned at the end of our third quarter call, that we are anticipating an average 40 to 50 basis point improvement in the gross margin in the next 1 or 2 years, every year. So we remain at that number. So if this year, if all goes well, we should see gross margin improvement of this order.

I think slightly more than that 50 to 75 basis point we are targeting that it should reflect in terms of improvement in the EBITDA margins for the current year. A, the benefit of gross margin. Secondly, the current costs between gross and EBITDA reflect a lot of restructuring initiatives as well, which have been onetime costs. So as we look forward to make recovery, we should see slightly better than gross margin improvement in the EBITDA margins.

Hitaindra Pradhan: Yes sir, on that point, sir, like if we exclude the investment into the associates, I mean you have guided that will kind of moderate down. I think it is currently ₹120 crores and it will come down further. But excluding, the other expenses seem to have spiked this year as well. So sir, what will drive the efficiency gain in the other expenses, you are saying that will contribute to our EBITDA margin gain.

Sanjay Jain: Yes. So I think, firstly, we need to make a like-to-like comparison of the other expenses. For example, while on the whole increase appears to be 16% for the entire year. But if we exclude Knit Gallery the GSCL acquisition that we did, it is more closer to about 11% or so. And some of the one or two drivers of this increase is, for example, we had an impact of royalty payments related to our brand sales, while we were in the mode of curtailment of certain brands, we were unable to reduce our royalty obligations in the near term .

So that was one. And as Sadik also mentioned that the businesses that we have taken a call to shut down. There are some provisions related to that as well. So I guess, as our top line traction build up, as these one-offs go away, you should see efficiency of that coming in as well.

Hitaindra Pradhan: Got it, sir. And sir, final one on the working capital. So there has been significant kind of improvement this year seems to be led by our accounts receivables as well as, I think, other current liability. So, sir, this 16 to 17 days of working capital, is it sustainable or we can expect some other kind of increase considering a local situation, such as logistical challenges or expansion in the U.S. and European markets? Could these factors lead to an improvement or further changes from the current levels, I mean if you can give your thoughts on that.

Sanjay Jain: I think on a lighter note, we are surely not going to allow it to go back to 17 days. And I think we've come a long way. Our endeavor throughout the year would be to try and keep it at current levels. You may see some fluctuations quarter-by-quarter. But for the entire year, our endeavor would be to maintain where we are at present.

Moderator: Thank you. Our next question comes from the line of Samvit Patel from dT! Partners..

Samvit Patel: Yes. Hi. Thanks. Can you hear me?

Sanjay Jain: Yes, please.

- Samvit Patel:** Yes. So first up, looking at the PPT in your top 10 verticals, when we look at Poeticgem and Simple Approach, we see that there's been a sharp erosion in the margins that they've had in PBT terms, can you just throw some light on what's happened there?
- Sanjay Jain:** So as I said earlier, some of the BCG-led exercise initiatives, which were twofold on procurement efficiency and also, in general, the operating efficiency of manpower deployment and time meet the best use of it. So Poeticgem and Simple Approach, our two key verticals who participated through that exercise, and while we started early on efficiency, procurement efficiencies on the manpower and other opex, the initiatives got into implementation in the second half.
- So therefore, on the whole, actually, across these verticals, there has been a net reduction in the manpower, and redundancy costs was also built in terms of trying to make it more efficient. So therefore, to answer your point with that backdrop, what you see here is more an impact of the onetime redundancies than anything else. And we should see now with that behind us, we should see that these two verticals, we are very positive on them that they should bounce back to an increasing trajectory of profit.
- Samvit Patel:** Understood. That's helpful. And the second question I had is on -- when we look at this year, it's been challenging for us, when we look at our top 10 customers, two of them have a lot of challenges in this year, going into FY 2027, What is our outlook for the top 10 customers that we have in terms of growth?
- Sanjay Jain:** The 11% growth that we have said in the overall order book. I think across our top 10 clients, we should see growth more in the vicinity of about 7-8%, slightly lower than the average. It is the new verticals that will fire the growth. It is in North America, that would be firing the growth. But an average 7-8% overall growth across the top 10 accounts, we feel positive on that.
- Samvit Patel:** Understood. Thank you.
- Moderator:** Thank you. Our next question is from the line of Rohit from ithought PMS. Please go ahead.
- Rohit:** Yes. Hi, Sanjay. So just you mentioned that gross margin you are expecting sort of to improve 50 basis points over the next two, three years, every year. And the flow-through should be slightly higher to EBITDA. So like 50 to 75 basis points. Is that correct?
- Sanjay Jain:** Yes, 40 to 50 basis point average gross margin and slightly higher translation into EBITDA margin, yes.
- Rohit:** So on this point, I just wanted to understand like if one were to look at the cost structure today and looking at the employee costs and other expenses. Of course, you mentioned there were some one-offs. You alluded to that at the same time, we're looking at some reduction as well, at an aggregate level based on the BCG program. I'm only talking about the opex right now. So from here on, like let's say, if we were to revert back to, let's say, 10%, 12% of revenue growth, how do you see the opex growing on a normalized level, I'm not saying that, that will be the growth rate that we are aspiring for or until these growth rate that will come to. But just wanted to get a

sense that what would be the operating expansion that one should sort of look at, given a lot of it is one-off and things like that from here on.

Sanjay Jain:

So I think allow us to answer it in this manner that we will continue to be extremely cautious for this year. Global tailwinds are to everybody's knowledge, we've had a tough year, we're starting on a good order book note, but I think we're maintaining mid-single-digit growth outlook for the current year and then close to about 10% or so plus broad growth in the profits.

So therefore, if we have to achieve this we have been trying to curtail costs of-course, the redundancy have to be provided. So next year, to answer specifically your point, I think the growth in the employee costs and other expenses should not exceed our overall growth in the top line that I think is clearly we are seeing as a driving factor inside all our verticals. So that's something that specifically I can tell you that the growth in expenses should be slower than growth in the top line.

Rohit:

That's very good to hear, sir. And just one more thing on the U.S. business. So, there was one anomaly that I was noticing. So in the presentation for nine months, we had said that a ₹30 crores negative, meaning that you invested ₹30 crores. And for the full year, it is ₹22 crores. So does it mean that there was some kind of a return to profitability or profitability was achieved in that business in Q4. Just trying to understand that a bit better.

Sanjay Jain:

I think allow us to make a note of your query. Our team is here, and we will surely look into it in terms of what is the plausible reason of that. And I think we will surely circle back to you by this evening or tomorrow in terms of what you observed variance.

Rohit:

Okay. But just from a broader term, the U.S. business is still sort of not at a scale, right? So I mean, without getting into specifics-- I'll wait to hear from you, because I think we were looking at getting into the U.S. business from somewhere in 2027, so early 2027. So does that mean, given the expectation of growth accelerating, does that still hold?

Sanjay Jain:

See, the U.S. business did make more money in the fourth quarter. It is back in the black for sure. I think the business, as we had anticipated, it is PBT positive for fourth quarter, yes.

Rohit:

Okay, and sir, this maybe more longer term I mean, we are cautious for this year. I understand given so much of volatility. But let's say, let's extend this horizon to maybe two years from here, let's say FY 2028 or 2029. I mean we had that objective of getting to 5% PAT. And I understand that we are behind there. But like from here on, given so much of volatility, one would assume that model like ours would be very much favored by company, so from our positioning with the customers and our positioning, especially with our newer customers. I mean given all that, let's say, three years out, we are starting 2027 now, let's say FY2029, how to see like what would be the baseline achievements or baseline metrics that you would want to sort of definitely -- you feel confident to given wherever your conversations are going across different geographies, different type of customers. I mean if you could maybe talk a bit in terms of numbers because that will help us because business order-wise, I know we are a I mean, it is all for us to see what -- I mean the value that we bring.

But if you can maybe contextualize in terms of financial numbers, I know it's difficult, but if you can just make -- and hence, I'm saying like let's not talk about next four quarters. I'm saying let's talk about maybe two, three years out.

Sanjay Jain:

Yes. Sure. I think, firstly, allow me to request that post this, we move to the next participant, our teams are available to answer offline. And I also have Pallak joining me from London. So we divide answer to your question if acquiring two parts. Let me request Pallak to give you a two, three-year strategic outlook in terms of how we see things evolving from here. And I'll surely supplement that with the numbers as you asked. Pallak over to you, please?

Pallak Seth:

Yes. Hi, Sanjay, hi everyone. So what we are definitely seeing both in the U.S., U.K. and European markets that the retailers are under pressure to cut costs and restructure organizations. So what that is doing is definitely bringing opportunities to a platform like PDS, where they're coming to us for various services. So as Sanjay mentioned earlier, the sourcing as a service business model that we had started on two years ago is having some very large active conversations with retailers who are talking about cutting the overhead in their social operation in Asia and giving PDS option to run those businesses.

So hopefully, in the next two, three months, we'll have some large contract signed. And they are normally four to five year contracts. They are not businesses which every quarter, we have to start from zero. These are long-term contracts where PDS can then predict its revenue and bottom line based on some of these discussions.

Similarly, on the design-led sourcing business, which is the core of the company, we are again seeing that there are a lot of retailers who are restructuring the organization, reducing their own design function and depending on certain vendors to bring them those opportunities. So overall, the markets are tough, but the macroeconomic condition that is pushing our retailers to cut costs, restructure the organization is showing a lot of opportunities towards PDS.

In the last two to three years, we took a conscious decision to invest in a few new verticals. And I think out of the 20 new vertical we have started, 12 or 13 of them have actually now succeeded and have become profitable. And there all these businesses that have started with all scale up in the next two to three years based on the traction and the customer base that we've been able to onboard we have seen.

The only segment in PDS, which we are currently considering how to carry forward and what to perform is the entire brand business because the brand wholesale business is more challenged. So PDS is trying to rationalize its portfolio on the brands business. But design-led sourcing, sourcing a service structurally is really working in our advantage, customers cutting costs, outsourcing more activities. And fortunately for us, there are not too many other competitors who can professionally work with the retailers on these large opportunities.

So the good thing is if there are any global source contracts coming up, it's only PDS and Li & Fung, which are actually in the RFQ stage at the end. So I think overall, we are remaining quite confident. Over the past 12 months, we have not initiated any new verticals or made investments in new businesses, and we expect to maintain a similar approach with no new investments over

the next 12 months. But the investments we have made last three years, many of them have started working quite well and we lay the foundation for future profit and growth of the company. So Sanjay, you want to add anything on top, please?

Sanjay Jain:

Yes. Thanks, Pallak. And I think in terms of cancellation of that numbers, while I will again emphasize our continuation of caution for current year but we remain very positive about mid-teens growth through medium- to long-term outlook. And I think everything is in place. We, first and foremost, this year, 2026, 2027 we got to make sure the restoration of our profitability and then changing gears to scaling up growth thereafter in the next year. So therefore, to answer your point, medium to long term mid-teens growth that we've also historically achieved in the past, we are very positive that, that is very much doable.

Moderator:

Thank you. Our next question is from the line of Vinod Krishna from Avendus Wealth. Please go ahead.

Vinod Krishna:

Sir, in continuation with the last participant, I'm new to the company, so pardon me if you have answered let's say, you add new customers like Walmart and you are also working with retailers, brands and PE players. So my doubt was because sourcing of textile runs into, I don't know how many tens of billions of dollars.

So when you try to scale up with each customer because they are not going to completely shut down their procurement departments or sourcing, how will we get the bidding to them and start gaining our wallet share.

Can you explain more in detail like the value proposition of PDS and why we will win over the long run? because where this question is coming from is given such a huge opportunity, market should not really force us to post very low growth rates, right?

And how confident are we of achieving that 555 in the coming, I won't say a decade or at least before this decade in the coming seven, eight years -- so I think you understood my question and how do you -- because Walmart is not going to shut down the procurement department, but they're still have onboarded you means, there is some dynamic playing over there that some kind of vendors or manufacturers, they wanted through you or some kind of categories they wanted through you.

So if you can explain us why you can scale with Walmart kind of players and why they are allow -- because they're not going to close down everything. So that's our understanding. Please, if you can explain it, it would help us understanding the PDS ability to scale in the long run.

Sanjay Jain:

Pallak, do you want to take that first?

Pallak Seth:

Yes, I can take that first. So I think if you look at a retailer's typical procurement model, especially people like Walmart, approximately 15% to 20% of their sourcing is from their sourcing offices currently. 70% to 80% is through third-party -- so there is -- if you are a direct factory based out of India, Bangladesh or China, Vietnam or these countries, typically, your source of getting those orders is going to the local offices of Walmart or other similar retailers and taking the tech packs and executing those tech packs and confirming orders.

The large part of the business is still run from New York domestic wholesalers or third-party vendors. So the buyers are given a clear opportunity to buy from there wherever they can get the best price and design and value equation. So today's day and age, a very few retailers are insisting that the business happens only to the procurement officer. So this is where PDS Design-led sourcing ends up becoming more and more useful and meaningful to our customers. So that is on the Walmart. But then there are other retailers, for example, we are talking to one of the largest French supermarkets. They are one of the largest supermarket which have got huge procurement happening in Asia, but are becoming a food first business. So there, they have a strategic intent to divest the entire sourcing. So in that case, then PDS is talking to that French supermarket that we could potentially do sourcing as a service and then take on the headcount and payroll they have across countries in Asia and then become their sourcing operation and run the entire procurement on their behalf through the sourcing as a service business model.

So the industry is very dynamic, right? So the way the whole market is going, there is opportunity for different formats and different retailers to exist. And similarly for the supply companies. I would say if you are a factory today sitting in Asia and you're not in the top five factories in any one country, a large manufacturing group, it's very difficult to get any traction from any retailer today. So retail is also consolidating their supply chain. And if you're -- there's another factory some production in some part of Asia, you're not able to attract the right customer strategically as well.

So the value process to offer is clearly there. That is why we are looking at close to ₹20,000 crores GMV this year and some of the discussions happening that will continue to grow in the years to come. We are only services business industry when we approach our customers. PDS says, we have got four core services.

One is manufacturing, where we own our factories as well, where we have factories in Bangladesh, Sri Lanka and India. Second is strategic vendor model where design-led sourcing, we design into the retailer private label, and we've got around 600 factories approved across Asia, where PDS become the vendor to the retailers, and these factories are attached under PDS to those retailers.

So for example, with Primark or Kohl's, PDS is a vendor on record. And under us maybe 30 or 40 different factories have been approved in different parts of the world, PDS does a design, development and sales and then procures goods from these parties and maintain a gross margin of 15%, 17%, 18% whatever maximum we can get in that design-led sourcing model.

So first is manufacturing. Second is strategic vendor, which is design-led sourcing. Third is agency, which is we called sourcing as a service and become retailer sourcing operation and run the entire operation in different parts of the world. And fourth is the brand business, where we – a lot of brands have been sold to IP companies and then PDS will in and then help distribute on the wholesale basis. So the first three businesses, we are quite confident the manufacturing, the design-led sourcing and sourcing the service, definitely, this profit business model.

On the brand side, we are evaluating our portfolio, how much we keep and what we invest in the future or disinvest. So out of the four services, three are actually gaining a lot of traction in

huge value proposition from the customers that they see and continuing to give us opportunities. So hopefully answers the question.

Vinod Krishna: Thank you very much for detailed answer, Pallakji.

Moderator: Our next question is from the line of Madhur Rathi with Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, I'm trying to understand that when the global apparel market is \$1.9 trillion, and our GMV is \$2.22 billion, which is 0.1% of the market share, then why have we chosen to get into the brands and started competing with our customers instead of why not first get a 1% market share and then try to diversify into noncore areas.

Sanjay Jain: So I think the offering of private label stroke brands have been very synergistic to our offerings. The customers through their loyalty programs came to this conclusion that they can do some customized offering in their stores and they invited us to participate in that. It went very smooth and fine because there has not been any inventory risk as well and our brand business has been growing steadily. It is when we went ahead with the Ted Baker arrangement, whereby we relied on while we did our own diligence, but we relied a lot on a very large private equity backed ABG Group having the ownership of Ted Baker brand and having appointed their own franchisee to run the U.K. and U.S. operations.

So everything looks good. It is when these retail franchisees went into administration that the agency sales of New Lobster to Ted Baker got impacted. So therefore, what we started has seen good traction. We relied upon a large players appointment of the third-party franchisees. So I think that did not work out well. So that is where you hear a bit of caution.

As Pallak also rightly said, manufacturing-we are very positive, sourcing-as-a-service very positive with design and sourcing very positive. Brands, we are carefully evaluating. We have curtailed a few. So I think in our journey, brands has been a mixed kind of success. But that's fine. I think we seem to have taken the corrective actions. And the focus for the near term shall continue to be the three segments that Pallak mentioned. And the brands being run by us more in the shape of private labels without any inventory risk being taken.

Madhur Rathi: Sir, so the ₹124 crores loss that we did last year, when will be breakeven? And what is the loss expected for FY 2027 and when will we reach our EBITDA that we did four years back of ₹475 crores in FY 2023. After that, we raised ₹400 crores, ₹450 crores also. So basically, since FY 2023, the net worth has gone up by 70%, but the EBITDA has collapsed. So I mean, are you satisfied with this performance?

Sanjay Jain: So I think I will answer what you asked first that we had in the last financial FY 2025, ₹165 crores of investments across new verticals and we had foreseen that in the coming two years, firstly, in FY 2026, we will try and bring that down to one-fourth. We've actually brought it down by 27%, and we had said we will be able to bring it down to about ₹80 crores in FY 2027. We remain positive that we will be able to bring it to ₹80 crores, beyond that ₹50 crores to ₹60 crores every year is going to be a recurring investment.

That is the way my model is that we bring new partners on board and they take about 12 to 24 months of gestation. So that's the answer to your first point. I think as this happens, number one, as we discussed earlier in terms of gross margin improvement impact and the EBITDA margin, we should see us seeing an EBITDA improvement.

Of course, we are not happy with the last 18, 24 months performance. So therefore, we tightened our belt and took some action of course, the global environment have been tough as well. But notwithstanding, I think we are not happy, and we are trying to get into a stage wherein our performance should be reflective of what our platform is due. So I guess next few quarters, the measures taken, initiatives taken, should see the translation of that into numbers.

Madhur Rathi:

Right. Sir, that is from me. Thank you so much and all the best.

Sanjay Jain:

Thank you.

Moderator:

Thank you. Our next question is from Kiran Gadge with Knightstone Capital Management, LLP. Please go ahead.

Kiran Gadge:

Hi, good evening. Under BCG initiative, we had COGS and opex cost savings. If you could provide full year number for both.

Sanjay Jain:

So I think our teams should be able to separately give you specific inputs. As I recall, we had foreseen on that annually about ₹40 crores to ₹50 crores, we should be able to save in our procurement and a similar number in our opex as well. So I think we are well on track. But to your specific ask, I think we're also earlier ask on some specific details of the new vertical. Both these points, we have taken a note and our team would be in touch to answer that.

Kiran Gadge:

Okay. And we saw a de-growth in H2 for Simple Approach, Krayon's, Klieder vertical, so if you could talk about them?

Sanjay Jain:

I think it's Simple Approach, I would pick the first I think it's H2 has been an aberration. So we should see the vertical getting back in growth from H1 itself. So that's number one. I think Krayon is largely serving the U.S. markets. And there have been, as you know, the turbulence due to the tariff impact and otherwise. But structurally, beyond the U.S. impact, Krayon is looking fine both in terms of top line and profitability. So these two, we are very positive that in H1 itself, you should see them posting both top line growth as well as profitability growth. Our vertical Klieder, may take one or two more quarters, it is very leanly very low-cost structure, a profitable business, but it may take one or two more quarters to get the growth back. So but on the whole, these three put together aggregate should have an H1 growth.

Moderator:

Thank you. Our next question is from the line of Rudraksh Raheja with Ithought Financial Consulting. Please go ahead.

Rudraksh Raheja:

Thank you for the opportunity, sir. I hope I'm audible.

Sanjay Jain:

Yes, please.

- Rudraksh Raheja:** Yes. Sir, I wanted to ask on the New Lobster division. How much revenues and profit before tax did we do in this for FY 2026.
- Sanjay Jain:** Yes. So with your second question, while we're just checking out in a few seconds numbers, please.
- Rudraksh Raheja:** Sure, sure. Yes, Sir, circling back on the operating expenses, but you mentioned that if we remove the one-off from other expenses, the growth rate would have been 11% instead of 16%? Could you quantify similar figures for employee expense as well? Like how much can -- growth can be attributed to one-offs, which we hope won't be repeated in FY 2027.
- Sanjay Jain:** Yes. I think our employee cost last year was circa ₹1,211 crores. This year has been about ₹1,317 crores. So this is almost an increase of ₹100 crores or so. I think the Knit Gallery and the GSCL are about ₹50 -₹60 crores out of this ₹100 crores increase.
- So if I take that out, our employee costs would have gone up apple-to-apple about ₹40-odd crores as compared to the same period last year, which is almost an increase of 3% -3.5% in terms of percentage.. So this is answering your point. Does that answer your question before I come to New Lobster?
- Rudraksh Raheja:** Partially, sir. Sir, just one small clarification. Since GSCL and Knit Gallery both would be part of our business going forward, whatever base we have for revenues in the last two quarters, let's say, that should be ideally continue for next year as well and whatever growth we may do on top of that would be additional.
- Sanjay Jain:** Yes. So, ₹1,310 crores that we have as employee cost is the base now. I think how they would be, if at all, any merit increase or any initiatives in terms of employee cost efficiency should be on the base of ₹1,310 crores. That's the new base that we have right now.
- Rudraksh Raheja:** Understood, sir. Understood. Yes.
- Sanjay Jain:** In terms of your question on New Lobster, we had for the entire year, income from operations of approximately ₹500 crores and similar period last year was about ₹480-odd crores. So it's almost an increase of about 4%, but there has been a decline in the gross margin of the business by about 10% from about 30% last year to about 20% this year, mainly because the agency business of New Lobster almost dried away. So therefore, the gross profit, which was ₹150 crores came down to almost about ₹100-odd crores this year. And therefore as a result because of the 4% growth, but the margin declined.
- The profit after tax of the business, which was circa ₹₹13-odd crores last year, has actually increased this year to almost about ₹38-odd crores or so. So it's kind of -- that's the situation it stands. And we are working on it to find -- bring the business closer to first, we cut losses and win the business to profitability. But this is where it stands that the decline in gross margin impacted the profits of the business.

Rudraksh Raheja: Understood, sir. Could you help us understand, you have highlighted in your PPT, this New Lobster turnaround with a red circle, which signifies some initiatives that you are still undergoing here. Could you help us understand that?

Sanjay Jain: Yes. I'll request Pallak to first give us thoughts and then if required, I will supplement with numbers.

Pallak Seth: Yes. So as Sanjay mentioned, out of most of our subsidiaries of New Lobster which is the Ted Baker business remains one of the bigger challenges, especially around the bankruptcy, the retail partners that ABG had chosen. If those bankruptcies have not happened and this business would have been highly profitable. But it is what it is now. The financial situation of those retail partners was not -- what was expected.

So we are in close discussion with ABG, the brand owner and discussing with them either they have to give PDS financial contribution every year for us to be able to maintain and run the head office of the business or they have to then find a new retail partner who will then be able to ramp up the volumes and give us adequate turnover required to be able to maintain the infrastructure of the entire buying and design operation of New Lobster for Ted Baker. So there are the discussions we're having right now. So hopefully, we'll have some conclusion in the next four to six weeks.

In this current financial year, they've already agreed to a financial contribution of around \$2 million, \$2.5 million, which will be paid to New Lobster on a monthly basis, which will help us in improving our profitability. But that financial contribution will -- is only for 12 months. So we are asking them to extend it for another 24 months after the 12-month period is over or replace that with additional turnover coming to a new appointed retail franchise partner. So we are very actively trying to address this issue because for us, also, this is one of the bigger pain points and hopefully, we will have some positive conclusion in the next four to six weeks with our discussion with ABG. Sanjay, do you want to add anything further?

Sanjay Jain: No, Pallak, I think we answered the numbers earlier and you've answered on the thought process going forward to address the business.

Pallak Seth: Yes. Brand is doing well. It's still a very strong brand. But just the volumes are not there to support infrastructure we are carrying to run the brand. We just opened a concession in Selfridges. So when a brand ends up becoming in Selfridges in U.K., definitely the Selfridges would not take the brand unless they see value in the brand.

And also, Aditya Birla the franchise partner in India is planning to open 10 more stores in the next two years. So the brand continues to perform and has strong consumer connect, just the economic and financial model, we have to work out with ABG. They are quite committed. They also want the brand to grow and to flourish from where it is currently.

Moderator: Thank you. Our next question comes from the line of Dhwanil Desai with Turtle Capital. Please go ahead.

Dhwanil Desai: Hi. Good afternoon, everyone. Large clarifications on the earlier answers that you have given. So the first question, Sanjay, is that we talked about 11% order book growth and mid-single-digit revenue growth while we also said that the U.S. business, the order book is up by 30%. Europe also last year from the base the Matalan and Gerry Weber have gone out, so are we expecting a very sharp degrowth in Europe because this kind of doesn't add up?

Sanjay Jain: See, if I slice the order book growth for example U.K. and Europe is a low single digit, about 3%, 4% growth in order book. Asia is looking at about 8%, 9% growth in order book and America is faster at 30%. So it's not de-growth in terms of order book. But when we talk about a 5%, 6% growth versus the 11% order book, yes, we are being cautious because last year also saw from time to time some pushback from the customers to hold the shipments. We deal with good creditable customers.

So eventually, they take shipments, but there has been a push back. The customers have been cautious on inventory buildup as well is this caution that is kind of holding us back. We hope that the order book growth faster into top line growth. But whatever one witness in the past few quarters makes one cautious about it.

Dhwanil Desai: Got it. Second question is, you talked about 40 to 50 bps margin improvement and new investment going down by another ₹40- odd crores. So if I add both of this up, it's ₹90 crores to ₹100 crores kind of number flowing through EBITDA. Now because our finance in the debt side is kind of managed very well, so if we don't increase the finance cost and not much of a capex. So ideally, this all should flow through this PAT, right, but you talked about 10% PAT growth. So I'm not able to reconcile.

Sanjay Jain: So I think I don't have a difference opinion from the math you just did. I think a 5% top line circa 10% bottom line is where we stand in terms of extreme caution and hopefully, things should get delivered better. That is where we stand. And as quarter passes by, as we keep delivering that should allow us to relook at it, but this is where it stands as of now. We need to be prepared for the global headwinds that are there. So that's where we are coming from.

Dhwanil Desai: It is to translate whatever that you are saying, that means that ₹90 crores - ₹100 crores EBITDA delta will come, is we kind of able to pull it off to those things or am I missing something?

Sanjay Jain: No. I think slicing it into pieces, a 40, 50 basis point gross margin, yes, we are geared towards that curtailment of expenses lower than the top line growth, we're geared for that. So if all goes well, it should translate into commensurate profit. Yes, yes, it should. We are restraining from committing to new investments for one more year. We would, of course, be signing sourcing as a service contract, but in a typical manner we take new verticals on board through the P&L, we are restraining for 12 more months. So therefore, all of this should translate, but this is where it stands right now.

Dhwanil Desai: Last question. So U.S. this quarter in nine months, I think U.S. growth was 19%. And for the entire year, it is 10%. So it looks like that I mean there was some de-growth in Q4. Is that understanding correct? And given that we are from a low base, we have penetrated into so many

accounts, should we expect that 25%, 30% plus kind of a growth in FY 2027 or how should we look at it?

Sanjay Jain:

See, if I understood your question right, I think our Americas top line in quarter four has been pretty much flat. It's in terms of dollar terms, it's about 0.4% up. Sequentially in quarter four it has slightly come down as compared to quarter three, it's about 4%, 5% lower.

But I think tariff situation, in fact, one of the participant asked a question on Krayons that Krayons declined, yes it has declined in H2, yes, it has decline, but it has got a stable order book like Costco client, etcetera. But that's history, today, where we stand is a 30% growth in Americas order book as compared to the same period last year. So we should see now more traction building up in terms of growth for Americas.

Dhwanil Desai:

Okay. Thank you. That's it from my side.

Sanjay Jain:

Thank you.

Moderator:

Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to the management for closing comments.

Sanjay Jain:

Thank you so much, EY team, and thank you so much for all the participants who took time to be part of the call, and we shall be in touch with you at the end of the next quarter. And extending greetings to all of you, stay safe. Thank you.

Moderator:

Thank you. On behalf of PDS Limited, that concludes our conference. Thank you all for joining us. You may now disconnect your lines.