



“PDS Limited  
Q1 FY27 Earnings Conference Call”

August 10, 2026



**MANAGEMENT: PALLAK SETH – EXECUTIVE VICE CHAIRMAN**  
**SANJAY JAIN – GROUP CHIEF EXECUTIVE OFFICER**  
**SADIK SUNASARA – GROUP CHIEF FINANCIAL OFFICER**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the PDS Limited Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your 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:**

Good afternoon, everyone. A warm welcome to all participants to PDS Limited Q1 FY27 Earnings Call. The presentation and financial results for the quarter are available on the company's website and the stock exchanges.

Please note that certain statements made during this call may constitute forward-looking statements and should be viewed in conjunction with the risks faced by the company. The conference call is being recorded, and the transcript and audio recording will subsequently be made available on the company's website and stock exchanges. We have with us today the management, including Mr. Pallak Seth, Executive Vice Chairman; Mr. Sanjay Jain, Group CEO; and Mr. 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 and thank you for joining us. As we begin FY27, I would like to take a moment to reflect on where PDS is today and also, most importantly, the opportunity ahead. Over the past year or so, we have focused on strengthening the fundamentals of the organization, sharpening our portfolio, improving operating efficiency, strengthening further the capital discipline and importantly, building a stronger balance sheet.

But at the same time, we have continued to build capabilities that will drive the next phase of growth of the company. This comes at a time of meaningful structural change in the global apparel and retail industry with brands and retailers increasingly seeking simpler, more diversified and cost-efficient supply chains.

We believe these shifts play directly to PDS strengths. Our integrated platform across design, sourcing, manufacturing and supply chain solutions, enable us to support customers access multiple parts of their value chain and respond to their evolving needs. We are, therefore, moving from a phase of building and investing in the platform to one of scaling the capabilities we have built. And importantly, we are beginning to see this translate into stronger operating and financial performance.

And importantly, we are gradually now happy to see this translating into numbers. We started the year with a good momentum across key operating metrics. The GMV has increased 11% year-on-year to ₹5,146 crores and the revenue has grown 15% to ₹3,444 crores, led by a particularly strong performance in North America, where the sales have grown 48%.

More importantly, this growth has translated into significant improvement in profitability with EBITDA margin increasing 90% and profit after tax growing 43% year-over-year. We're also feeling positive with the visibility that we are now seeing on the quarters ahead. Our order book

has grown 23% year-on-year to ₹6,095 crores, and this reflects continued customer traction and a healthy pipeline of business. We have seen increasing traction across our customer base with new mandates and deeper engagement, reinforcing the relevance of our platform to global retailers and brands.

During this quarter, we enhanced our customer base and new mandates from marquee customers, representing an annual business potential of approximately US\$330 million. And given the longevity of these contracts over the 3 to 4-year horizon, we feel more positive that such an annual potential is not just for 1 year, for the coming years as well.

We also partnered with Busana Apparel Group to further strengthen our manufacturing capabilities. As you know, we make at present EBIT margin of close to 6.5% on our manufacturing, that is largely coming in from catering to value retailers.

With this Busana partnership, we get to engage with more and more fashion customers, and we also get to benefit from the skill set that Busana brings in. Therefore, in our present manufacturing capacity, we should do upgrade to customer profile and the margin thereof.

These engagements across the sourcing as a service contracts and with Busana are important not only for the business that we bring today, but for the long-term opportunities that would keep unfolding. At the same time, our focus on enhancing efficiency in the way we deploy our capital continues to be sharp.

Our net working capital has improved further to present level of 1 day, and the net debt has reduced close to 73% to about ₹29 crores. This is a reflection of the operating performance backed by continued strengthened financial position. And we believe this gives us good flexibility to embrace more and more opportunities that we are seeing unfolding for us.

Importantly, the work that we have undertaken on our portfolio is also beginning to position the business for the next phase of growth. Our newer investments are progressing towards profitability and the rationalization of portfolio that we have initiated is on track. This allows us to direct our management's attention and capital towards business and opportunities where we are now seeing more potential and a lower gestation in terms of bringing this to profitability.

The next important aspect is that as we are entering into this important phase of our growth, there is an investment into digital and AI transformation journey. We are now seeing technology not simply as an enabler, but as a structural lever for the next phase of PDS growth.

By embedding AI and digital capabilities across sourcing, pricing, supply management, data and operation, we are very positive and expect to enhance productivity, improve decision-making and create greater operating leverage as we scale. And alongside this, we are already in the midst of upgrading our SAP present platform to S/4HANA.

So therefore, a blend of AI and digital capabilities on one hand, customized to interface with vendors, with factories with customers, and at the same time, the core IT infrastructure upgradation, we believe is necessary building blocks to the next phase of growth of our company,

deeper and wider engagement and therefore, being able to scale without corresponding increase in costs.

Importantly, this transformation is underpinned by continued investment in our people and broader sustainability agenda. We have been adjudged great place to work across 10 of our locations, reflecting our continued focus on building an engaged, inclusive and high-performing organization.

Our progress is also being recognized externally with our latest ESG assessment moving up to a score of 62 that in the rationale of the rating agency reflects ‘strong’ category in ESG, driven by improvements across areas, including renewable energy, hazardous waste intensity and gender diversity.

So, as we look ahead, our focus is clear. Grow with our customers deeper and wider, improve the quality of our earnings, strengthen returns and most importantly, continue building a more technology-enabled and more capital-efficient platform. We believe with quarter 1 behind us, we are looking more positively towards the current year unfolding in the coming few quarters.

With this, let me hand over to our CFO, Sadik, who will take you through the financial performance for the quarter. Thank you.

**Sadik Sunasara:**

Thank you, everyone, and good afternoon. Let me now take you through the financial performance for the quarter, starting with the P&L. For the quarter, revenue grew 15% year-on-year to ₹3,444 crores, while gross profit increased 18.5% to ₹690 crores. This reflects the 63-basis point improvement in gross margin to 20%, which is an important driver of the improvement in the operating profitability.

On the operating cost side, employee expenses have increased by 8% in INR terms year-on-year to ₹339 crores. In USD terms, the employee expenses have decreased by 2.4% year-over-year and 6.2% quarter-on-quarter. The reduction in employee cost is due to closure of loss-making verticals, partly offset by bonus payouts and merit-based salary increments.

Other expenses increased 17% to ₹255 crores. However, in dollar terms, the increase is only 1.5%, broadly in line with the higher scale of operations and efficiencies. As a result, EBITDA increased 90% year-on-year to ₹96 crores with EBITDA margin expanding from 1.7% to 2.8%, an improvement of 111 basis points. We are beginning to see now operating leverage as revenue scales and results of our efforts continue to give us results.

Below EBITDA, depreciation increased 21% to ₹36 crores, reflecting the higher asset base following acquisition of Knit Gallery and capitalization of our office property in U.K. Other income was ₹9 crores versus ₹40 crores in Q1 last year. Q1 last year had around ₹22 crores FX gain. Finance costs increased 11% year-on-year to ₹37 crores. In dollar terms, the interest cost had remained at the same level compared to the last year.

The composition of our interest cost is now more skewed towards the usage of factoring lines. The resultant cash on hand has helped us improve our equity collections and improve margins.

Profit after tax stood at ₹29 crores, an increase of 43% year-over-year. Overall, the improvement in profitability reflects the benefits of higher gross margins and operating leverage during the quarter. Coming to the segment performance. Sourcing remained the key contributor, reporting revenue of ₹3,272 crores, up 16% year-on-year with EBIT of ₹58 crores and EBIT margin of 1.8%. Manufacturing segment reported revenue of ₹227 crores, up 4% year-on-year with EBIT of ₹15 crores and a margin of 6.5%, continuing to demonstrate healthy profitability.

From a new verticals' perspective, total investments during the quarter reduced by 8% year-on-year to ₹37 crores from ₹41 crores last year. Investment in brand management declined by 38% and design-led sourcing declined 5%. The increase in North America investment reflects the continued scale-up of GSCL, while certain businesses have been merged or exited, allowing capital to be redirected towards more scalable opportunities.

Moving to the balance sheet. As I mentioned earlier, we continue to see strong improvement in working capital efficiency. Net working capital reduced from 4 days at March 2026 to just 1 day at June 2026. This improvement, together with strong operating cash generation helped us reduce net debt from ₹105 crores to ₹29 crores, a reduction of 73% during the quarter.

Cash generated from operations stood at ₹151 crores. Our leverage is very low now with net debt to equity at 0.02x and net debt to EBITDA at 0.07x. Reported ROCE stood at 19%, while ROCE, excluding the impact of new verticals, was 26%. So from a financial perspective, the quarter reflects stronger revenue growth, improving margins, lower investments in new verticals, strong cash conversion and a significantly stronger balance sheet.

With this, now I open the floor for Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question from the line of Dhwanil Desai from Turtle Capital.

**Dhwanil Desai:** Hi, good afternoon and congratulation for good set of numbers. My first question cited back to our order book has increased by 23% and even Q4, we ended with 11% increase in order book, but we had guided for kind of mid-single-digit growth. So now given that Q1, we have grown at 15%, the order book is in good shape, should we expect much higher growth this year?

**Sanjay Jain:** Hi, Dhwanil, this is Sanjay Jain here. I think we started the year on a cautious note as you rightly observed, the order book has shaped up well and that has also translated into stronger revenue and PAT growth. We continue to be positive. We are committed to have quarter 2 reflect the similar trend. So I think this is what the focus is. So my request and specific response to your question is that let's stay focused on one more healthy quarter and maybe post the mid of the year, we can revisit any of the guidance or anything. Important is to have done a good Q1, let's have another and focus attention on the next good quarter.

**Dhwanil Desai:** Second question is on the new investment. I think we were planning to kind of scale it down to ₹80-odd crores, Q1 we ended with ₹37, odd crores and I do understand that there are quarterly variations there. But are we on track to kind of round about that number? And in U.S., again, the

investment has scaled up. I think last quarter, we were kind of PBT positive. So how are you looking at that? How should we kind of factor all these things in, if you can elaborate on that?

**Sanjay Jain:**

Sure. I think while within a minute, I will specifically answer your question. But what is even more important is that, as I also mentioned in our opening remarks, we will continue to stay focused on growth, this time around a growth wherein the visibility of revenue and visibility of the profitability is not into any longer gestation. And some of the sourcing as a service contracts that we have signed with annual ₹330 million potential are clearly going to unfold into profitability from quarter one itself.

So that's on a medium to longer horizon and how we are contracting into new initiatives. To specifically answer your point, yes, we are positive. We believe with quarters passing by the efforts that we have initiated, there should be more profitability in the coming few quarters. So on the whole for the entire year, we would broadly be in line with what we felt could be the overall P&L impact of the new initiatives.

**Dhwanil Desai:**

Got it. And last question, and I will come back in the queue. So our finance cost, we reduced the net debt, but our finance cost has almost remained the same. Of course, Sadik talked about the constant currency number. But so how should we look at this number because, does it mean that as we grow the factoring will increase and hence, this number will continue to grow in line with revenue? How are you guys looking at it?

**Sanjay Jain:**

Allow me to request Sadik to take it, and then I'll add, Sadik over to you.

**Sadik Sunasara:**

So Dhwanil, thank you for this question. If you recall, I'm not sure whether you participated in our Investor Day in the month of June, we had guided that our interest cost is not going up, right? So yes, we started working on, financing and operating efficiencies a few quarters ago. While we focused a lot on factoring receivables, we worked on net working capital.

Now we are working on the payable side. We have to make a trade-off between the EPD and improvement in gross margin versus the interest costs. So as you know, whatever interest cost that we incur, we try and cover that from EPD, right, so overall, yes, the interest cost is not going up. There may be, let's say, some ups and downs during the quarters depending on the seasonality and other factors. Over to you, Sanjay.

**Sanjay Jain:**

Yes. I think, Dhwanil, as Sadik clarified, dollar terms, its stagnant, rupee terms, it is up. We believe that the gross margin enhancement, which is a factor of 2 things, early payment discounts, EPD, that's where we get a reduction in COGS, which get a discount from the vendor and of course, improvement in gross margin in the normal course.

So there will be a combination of the two. And if we you don't allow our EPD to go up, then the interest cost clearly is heading down south. It is going to come up. But in fact, in quarter 2, we will try and enhance our investor release with how much early payment discount I'm getting and corresponding interest cost. So to summarize, dollar terms, interest cost stagnant, had we not allowed EPD to come up, the interest costs should have been gone south, but we will keep supplementing it as the quarters pass by. Directionally, flat interest cost or going south.

**Dhwanil Desai:**

Perfect. Very clear. Thank you. I'll come back in the queue.

**Moderator:**

We take the next question from the line of Samvit Patel from DT! partners.

**Samvit Patel:**

Congrats on a great set of numbers. So, to start off first, it was heartening to see in your presentation you mentioned about the AI transformation journey. Just a question on that. When we speak about AI, do we see a lot of this coming in terms of cost saving or also we see it in terms of enhancing our revenue growth and profitable, leading to better customer relation and more growth. So, if you can just give us some clarity on is it only cost saving or also growth?

**Sanjay Jain:**

Allow me to request Mr. Pallak Seth to share his views first and then if there is anything I will pitch in. Pallak are u there, please. We lost connection with Pallak. In the meanwhile, AI effort is twofold. Most importantly, customer interface. I think the first area that we have picked up is designing we know that how I make my designing process more efficient, how I integrate it very well with my customers. So therefore, it allows better engagement. It allows more efficient and effective designs. So that's number one. And in fact, in our French retailer contract, one thing that scored us over competition was the demonstration of AI capabilities being as Pallak always says, we are a 25, now 26-year-old start-up. So, the ability that we demonstrated to the customer in terms of --

**Moderator:**

Sorry to interrupt, sir. We have been connected with Pallak, sir.

**Sanjay Jain:**

Okay. So Pallak, we are just discussing some question that where is AI going to benefit in terms of revenue & cost. So, I thought I'll request you to please share your thoughts.

**Pallak Seth:**

So, I think AI is in our industry, especially for the global design manufacturing sourcing business is going to be highly disruptive. But at the same time, companies who can adapt the tools can have a lot of productivity enhancement, especially on the design side, case examples of our China operation, which has 60 people in one of our subsidiaries, now doing double the turnover with the same amount of people using some very, very cost-effective AI tools.

So I was in our Shanghai office, and this company has got like from \$60 million has gone to \$120 million sales with 60 people, though staff has not increased, starting from design to order management to documentation flow. They've got software, which is a local Chinese software, which is at costing less than \$25,000 a year, has been highly, highly productivity enhancing for them to be able to do things in a way that customers are seeing great benefit.

And at the same time, with the same cost base, we're able to do much more things. Other functions back-end functions like finance and there are a lot of AI tools that are readymade available we are trying to implement in our business. So currently, it's more productivity enhancement.

And as we grow our organization, we feel that whenever we need to hire new people, we are seeing can we bring in AI tools to be able to do that job rather than adding a cost in manpower at this stage. So we are very well placed, and we've got a lot of good case examples. PDS being a global company in so many countries, having so much knowledge base internally and sharing those best practices from one region to another, we feel we're in a very strong position to benefit

from all the disruption happening in the global world, which is also impacting our industry to a certain extent. I hope I've answered your question.

**Samvit Patel:** Yes, that's helpful. That's helpful. And just my second question is on working capital. So we've seen improvement on working capital to 1 day. So just one question on that. Is this something which is cyclical due to a mix change? Or is it structural in nature where we can maybe go back to where we were in '23 in negative working capital? Just some guide on that.

**Sadik Sunasara:** Sadik here. This 1 day is a mix of receivables, let's say. So, a higher share of receivables coming, which can be factored. But structurally, yes, we are what we guided at, let's say, lower single-digit working capital days, yes. So, we'll maintain lower single working capital days maybe in some quarter, it can go to 1 or 0 working days. But we are constantly monitoring it, and we'll try and keep it to low single digits.

**Samvit Patel:** Understood. And just if I can squeeze one last one in on your geographical growth. Can you give us some sense on EU and U.S. The growth really seems to have picked up some insight on GSCL or EU, which seems to be a little bit of a turnaround in growth. Can you throw some light there as well?

**Sanjay Jain:** Pallak, would you like to take this?

**Pallak Seth:** Yes. So GSL, I'm clear about what is EU...

**Sanjay Jain:** We have 48% growth in Americas and 21% in terms of revenue from Europe. So that's the question what has led to this.

**Pallak Seth:** Yes, yes. So I think U.S., as most of our investors know that we've been investing in this market for the last 3 or 4 years. And we've been consistently saying that first is to open the accounts. And once the accounts are open, the growth in U.S. is much faster you get in Europe because of the volumes.

So all the key accounts that we are wanting to open, I would say 70%, 80% of them we have opened now and now scale up is happening because the life cycle of this business is once an account -- it takes 6 months to open account. But once the account is open, it takes another 6 months to add a factory because of compliances and then the customer gets trial order, 2 trial order. And once you perform, then they get confidence and start building it. So being in the third or fourth year of this investment, we have seen that we've been able to onboard some of the factories we wanted, and customers trial orders have gone successfully. So now more volumes are coming from the same customers where accounts have been open, people like Coles, Walmart, Fashion Nova, T.J. Maxx, PBS, American Eagle. So all the key accounts in the U.S. have now been onboarded by PDS. And the good thing is these accounts normally work with direct manufacturers but looking at PDS kind of services we are able to give and the product development and global manufacturing and sourcing businesses we have within our portfolio, they've added us as a vendor without owning factory. So that means our scale up can now be much faster. We are not restricted by adding capacity to grow with some of these retailers.

So I think U.S. is in a very strong position. We have now good teams, at least 4 subsidiaries within PDS focused on the U.S. market and a lot of traction coming in from the customers there as well. In terms of EU, I think, again, we've started having some good growth coming in the Spain market with Mango account we opened up, which is scaling up.

And then the German market after Gerry Weber had unfortunately gone bankrupt, new accounts have been replaced there as well. And then also growth coming from Polish market. We've onboarded a very big retailer called CCC, which is one of the largest, fastest growing in Eastern Europe and Southern Europe.

So, I would say the way we are structured out of the 10 pitches we make as a business, at least 7 to 8 accounts open up, either through a manufacturing business or design and sourcing or sourcing as a service. So, one of the 3 or 4 services we have given, customers end up opening that account. And Sanjay also mentioned, we signed the largest French retailer in apparel as sourcing as a service contract. So that has the option to \$300 million to \$400 million GMV with the next 2 years because the signed contract there as well. So I think the pipeline of business is very healthy. There's a lot of traction that's coming our way. We have invested in a lot of capability of talent in the last 2 or 3 years, which is stable because of equity model.

And now our job is to match these people with the right opportunities with the right incentive structure in place. So, business should start scaling up quite well in the next 12, 24 months without adding too much incremental costs.

**Samvit Patel:** Yes, thanks a lot for answering my questions.

**Moderator:** We take the next question from the line of Ritika Sheth from Anantaya Wealth Advisors.

**Ritika Sheth:** Firstly, congratulations for a very good set of numbers. The important question which you would like to get answered is regarding the 555 strategy, which we have been talking about since a few years now. So can the management throw some light on where are we today in terms of anticipation of the numbers going forward? And has there been any change with the macro factors as well as the currency devaluation, etc, factoring in everything. Could you please throw some light on that?

**Sanjay Jain:** So, I think when we had, it's been around close to 3 years when we had foreseen 555, we have believed in it. That potential has always existed. The platform that we have built has always been in a position to convert the potential to numbers. And as we initiated the journey by signing up new verticals to be on this path, there were some unfortunate accidents around Gerry Weber and the Matalan account squeezing to half from about \$140 million to \$70 million.

And then because of the global situation, the new accounts taking much longer, the new initiatives taking much longer to breakeven. But that never took away the opportunity. We spent the last 12-18 months to stabilize. from the impact of Gerry Weber, from the impact of Matalan from the new verticals taking more time. And the important thing is this was also a testing of our internal credit control, and we have come out of Gerry Weber and Matalan account without any delinquency at all. The last 12, 18 months have really gone into, if I can use that word fixing

it. I think the growth is back with reflecting in the quarter 1 numbers, reflecting in the order book.

Most of our initiatives in new verticals are focused on Americas, there is 48% growth. Then the signing up of the Sourcing as a Service contract. So, I think there could be a trailing of a few quarters. But rather than talking of 555 and the time horizon. We believe in it, what is important is that every quarter now, there should be improvement in the EBITDA margin, which we have achieved in quarter 1 and the corresponding improvement in PAT.

So, net-net, a few quarters of what has been a hiccup, but our belief is there. That's a long, very audacious goal that we'll keep focusing on. But for now, every few quarters, you should see us improving on the corresponding previous performance.

**Ritika Sheth:**

Sure. Thank you. And one more follow-up question. In regard to what was the vision for the PDS Ventures, the companies which we are having within the PDS Ventures. So what is the larger vision for the group set of companies within the same.

**Sanjay Jain:**

Requesting you Pallak, to take this please. Pallak over to you.

**Pallak Seth:**

So yes, I think PDS Ventures is one of the greatest tools and assets we have within PDS. Overall we are seen as a leader in innovation and also leader in the industry in terms of how we differentiate ourselves. I would say there are like 30,000 supply companies, including manufacturers and suppliers. Some of you must have visited Bharat Tex, 15 halls with thousand and thousands of vendors that are there.

But PDS is probably one of the few ones or probably the only ones that have set up the structured corporate treasury arm that is investing in innovation and global bodies like Fashion For Good and Global Fashion Agenda are comfortable co-branding and being in the same store as PDS.

So we have built up this great asset within the organization with last 7 years with investment in businesses that are going to disrupt our industry. So being in a leadership position helps us with our core business to add a lot of big accounts, which generally would have not come unless you have large factory investments.

So saying that now I think we've achieved your objective, but we are not really looking at investing new capital into venture very selectively will return for core business from our customers. So, and it's coming into a positive cycle because with 7 years of investment going on, we started seeing exits and returns coming in. So we're restricting that investment to sub ₹10 crores a year, so between \$1 million to \$1.5 million.

And that also is subject to existing customers or new customers giving us more business in return for partnering with them in innovation and investment. The other thought is that if the asset has been created, we have seen a lot of external other venture and other investors wanting to come with us and saying that why don't you set up a professional arm and we will put money.

So PDS doesn't have to put any further capital or very limited further capital and use the vehicle we have already created to take the professional fund that can then go about making bigger

investments, but not with our own capital, but using more of what we have already done and the goodwill we have created in the industry. So that's how we are on the whole venture journey.

So PDS having a manufacturing business, which we are trying to make sure becomes highly profitable in line with some of the leading players in the industry by adding the right customer base, the core sourcing business, which is doing reasonably well and scaling up in the venture side. So looking at all 3 businesses to make sure that we are all on a strong footing and having industry-leading positions in whatever we do as an organization. I hope I've answered your question.

**Ritika Sheth:**

Sure. Thank you so much.

**Pallak Seth:**

Thank you.

**Moderator:**

Thank you. We'll take the next question from the line of Neel Chhabra from Resight Ventures. Please proceed.

**Neel Chhabra:**

Hi, good evening, everyone. I hope I am audible.

**Pallak Seth:**

Yes Neel, we can hear.

**Neel Chhabra:**

Yes, so I just want to understand the opportunity size like real opportunities for PDS more deeply. So like if you look at the global apparel industry, it must be over \$1 trillion. And if you look at the procurement side, it must be around somewhere around \$500 billion. But maybe that also may not be the real opportunity size for PDS because part of the operations will remain in-source. So like what according to you the outsourced portion of the industry right now and where it is moving directionally? And if you can help us understand maybe with an example like once PDS enters into a retailer, how are able to grow their wallet share once you enter, like how the human and organizational dynamics works from a retailer vantage point.

Because you're not just competing with alternate vendors, you're competing with an internal sourcing team as well. So maybe you can give a share example like once PDS enters, how you are able to grow your wallet share. So that would be very helpful?

**Pallak Seth :**

Yes. So I can start taking . So every time we are pitching to a retailer right now, we've got a lot of light pitches coming up also currently. So retailers are seeing PDS in two ways. One as an alternate or competitor to their own sourcing organization. So last week, we had a very strategic meeting with Marks & Spencer. Marks & Spencer is a company that typically works only with its own offices directly with manufacturers. So now CEO of Marks & Spencer has come and told us that their current product development design cycle from concept to in-store delivery is now 60 weeks. That is more than a year is taking them to bring product from concept to in-store. And the reason is that they've got now 1,000 people offices in Asia and has become very bureaucratic and it has become very slow the way the whole product development cycle is coming.

So the new CEO's vision is that 50% product should be through their own offices and 50% should go to third party, which is going to bring in some competition for their offices and also

agility to the whole design cycle. So in those kinds of conversations, PDS can play in both bases, either through our manufacturing with working directly through their offices or on an asset-light model competing with their offices. So the opportunity that has been put forward to PDS by the Marks & Spencer \$100 million. So for me to do \$100 million with Marks & Spencer, if I was relying on my own capacity, I need at least a \$50 million, \$60 million investment in manufacturing capacity or additional capacity to be able to fulfil that. But through our sourcing asset-light model, we'll be able to do it quite instantaneously, maybe within 6 months, we'll have like 4 or 5 third-party factories onboarded and do that kind of business. So based on customer needs, being a services business in the industry, what they are offering us we go as a manufacturer, if they have only direct manufacturing requirement, they don't want to work with third party.

In that case, we work through retailers' offices or we become a design sourcing vendor, which is what we are discussing in Marks & Spencer, basically coming and running their own to third party not through their own offices or we take over the sourcing operation sourcing as a service or we set up category management for them or we wholesale brands.

So with the 5 services we do, when we enter a retailer, we picked our services and then we decide whatever is fitting with the strategy, one of these 5 definitely fit, we're able to open the doors with those customers. So I would say either retailers use us for competing with their sourcing offices to balance both of them out or ask us to work through their sourcing offices to basically run our own manufacturing business.

So very few companies in the industry have been set up in the model we have set up, and this enables us to open most of the doors we end up pitching to. I gave the U.S. example also, many of the retailers, we have open doors only versus direct manufacturer, but they have made exceptions for PDS based on the quality of management team we've got in the organization and the kind of things we are able to deliver for them. I hope I'm able to answer your question.

**Neel Chhabra:**

Right. All right. Thank you so much. But I have another question like maybe on the risk side. Like maybe initially, there is a lot of inertia able to set up a team in like Jordan or Bangladesh for retailers or to attract or build a network of factories.

So like since we are very transparent with our retailers, be it on pricing and the factories are also audited by them, like do you see any risk like maybe 3, 4 years down the line once they see how the team is performing, how the factories are performing, they could just bypass PDS and start working directly with them? Do you see as a risk to the business model?

**Pallak Seth:**

Honestly, today, factories is a commodity. There are thousands and thousands of factories. A retailer today wants to consolidate the vendor base, work with a few strategic players and add a new factory. A factory in the middle of Asia has zero value in my view, zero value. Unless that factory has got the right management teams and the SG&A cost on top is kind of a factory group today to succeed needs a PDS structure on top of it, which could be owned by themselves or developed by themselves only. But another factory has no value.

So the kind of factories we bring on board for our design-led sourcing business typically are not the top 5 or 10 factories within a country, but the next 20, which are excellent in quality, excellent in compliance, but don't have the design management capabilities to be able to deal with these direct retailers.

So once you bring in that kind of vendor base, then it's difficult for them. And to be honest, as I said, factory is a commodity. No one needs another factory. They need strategic players who can add value, who are professional because every retailer is cutting their own SG&A cost also. They're not interested in trying to chase a large sense from a factory. They want lead time reduction. They want simplicity in working and work with professional companies who can add value to the organization. So that's probably last of my worries at this stage.

**Neel Chhabra:** So like if I understood correctly, like retailers are looking to diversify their sourcing operations to multi-geography and rather than dealing with multiple vendors themselves by partnering with PDS, they can have that diversification without the added complexity that arises with multiple multi-geography vendors. Is that like PDS is acting like a simplifying mechanism for retailers to have a diversified operation by communicating with the single vendor, in this case, PDS?

**Pallak Seth:** Exactly, yes. They'll communicate with single vendor and they'll be able to hire 20 factories to a single vendor.

**Neel Chhabra:** Alright. Thank you so much. All right. All the best.

**Moderator:** Thank you. We take the next question from the line of Rohit from iThought PMS. Please proceed.

**Rohit:** Yes, good afternoon. So in terms of the finance cost, I just wanted to understand, so we've seen very strong movement in terms of working capital days over the last maybe 2 years, maybe 6 quarters. So we are still holding on to the fact that the finance cost will be flat and not decrease from the current base of ₹25 crores, ₹27 crores a quarter. Is that the right understanding?

**Sanjay Jain:** So Rohit, in the normal course, with the working capital days under control, operating cash flow generation, you should, all of us should see the interest cost coming down. But we always take a conscious decision. My average borrowing cost in dollar terms could be around 7%, 8%. But there is an opportunity that if I keep my borrowings, but at the same time, leverage on the early payment discount opportunity, wherein these suppliers of mine are not having as much access to working capital. So I earn actually much, much more on top of my existing borrowing cost. So that is where I was saying Apple-to-apple, early payment discounts not going up, you should see interest cost going down.

But if we use it to get EPD and you should see, therefore, corresponding improvement in the gross margin of the company. So that's where we were trying to explain to you. And not just restricting this to a conceptual thought with quarters coming, we will also make an effort to explain this along with commensurate numbers that if there is an improvement in gross margin, how much is coming through normal course, how much is coming through early payment

discount. That's where, that's the underlying principle behind the interest cost. I hope I have tried to explain. Sadik, do you want to add something?

**Sadik Sunasara:**

Sanjay, you have covered it well. So nothing more to add.

**Sanjay Jain:**

It is a profit. I am a platform wherein there is an opportunity for me. In fact, to our banks very humbly, let me make this statement to our banks like HSBC, CITI, BNP, we on our platform, bring marquee customers receivables to them for discounting. And on my platform, I bring 600 partnership factories, wherein through my designers, I enable them, through my compliance professionals, I enable them and through my cash flow access.

A lot of companies report this as a separate NBFC activity, which in our case, I don't report this as a separate, which we will try and have a disclosure. But to me, this leverage of the platform of using my cash of 7%, 8%, earning much more and getting reflected. That's the underlying principle. We will substantiate it more as we move along.

**Rohit:**

Very clear. The second question was, sir, I mean, today, we have, I think more than 50% of our sourcing is from Bangladesh. And of course, we have acquired Knit Gallery in India, and we are trying to do more nearshoring for the North America and also adding Egypt.

But I mean just from a, let's say, 2-year, 3-year perspective, do you see the concentration that we have today in Bangladesh to be still there given that now we have an FTA with EU and UK. and also many other countries in the world. Would you directionally see this 55% to be the peak now and, let's say, over 2 years, 3 years? Or will it take a much longer time to change the supply change and sort of partner in other geographies? So, if you can just give some clarity on that.

**Sanjay Jain:**

Some, you know, geopolitical situations keep emerging from time to time, and they have an impact on given geography. That temporarily, any kind of hiccup should not have a bearing on a medium- to long-term decision. That is why PDS has always believed, you know, in making a well-diversified sourcing base. A few years back, China, Bangladesh and some of the other Eastern geographies ready-made garment export has been a big priority for them, and that is what we leverage. We have recognized India as a strong emerging sourcing destination. That is where, you know, we have done the Knit Gallery acquisition. And so, therefore, with that and Pallak is in Egypt, we're also trying to explore using Egypt as a base, which has a duty-free access to U.S. At the same time, it's got a low proximity in terms of travel, you know, or transit to Europe as well.

So, an interesting destination. So, to summarize, we do not anticipate the absolute amount of sourcing we are doing from Bangladesh to go down. But at the same time, we see more and more traction building up from some of the geographies I just mentioned. So, you may see the percentage of sourcing increasing from India and from other locations. That's how we are foreseeing this.

**Moderator:**

Thank you. We take the next question from the line of Komal from AK Investments. Please proceed.

- Komal:** Yes. Thanks for the opportunity. Firstly, my question is regarding the brand management. How much of the losses we are coming from the Ted Baker side on this quarter?
- Sanjay Jain:** Yes. So, our losses, you know, from Ted Baker in the quarter one has been approximately close to \$2 million. This is in PBT terms. That's the answer to your question. But we've got a plan well laid out. We believe the overall scenario that we had seen for Ted Baker on the whole, given the order book, given the new customer sign-ups, given the cost simplification initiative, the business is shaping well. But in the first quarter, the overall PBT that you have seen includes approximately \$2 million losses of Ted Baker business.
- Komal:** And when you report the investment vertical losses, how this is categorized Ted Baker side, it coming under which vertical?
- Sanjay Jain:** So, Ted Baker has actually passed close to 3 years from the point we commenced it. So, therefore, it is kind of no longer captured in the new verticals. Anything which is closer to 2 years is where we captured. So, therefore, it's not captured in there. Sadik, I hope I'm explaining it correct.
- Sadik Sunasara:** Yes Sanjay.
- Komal:** So, on the side, this whole year, how much of PBT loss are we expecting? Because on the Investor Day, right, we have some resolution coming in quarter one or quarter two. So, what is the year-end expectation?
- Sanjay Jain:** See, the resolution is that we are actively engaged with Authentic Brands Group, who owns the IPR for Ted Baker, and we have been keeping them totally abreast of the situation. As you know, we got ourselves into, not because of any act of ours, they had appointed franchisee for the UK retail operations and U.S. retail operations, and they went into administration, thus impacting my agency business. You know, so, on the wholesale, you know, this is where we are.
- But to answer your point, we believe that on the whole for the entire year, the losses from Ted Baker should not exceed more than \$2-\$3 million. So, the coming few quarters should give us, you know, more traction. So, what we have done in Q1, \$2 million loss at best for the entire year, it could be a \$3 million loss in the position.
- Komal:** Okay. Understood. Let's see how it goes. Now, my second question is actually on the longer-term side, how will the SaaS and brand management, the profitability, if I take 100% of profitability, how much of profit will come from SaaS and brand management side? Can you help me on that also?
- Sanjay Jain:** It's an interesting question.
- Komal:** 100% of profits are there. How much of that profit will come from SaaS and brand management over 3 years?
- Sanjay Jain:** So, allow me to share what happened in Q1. I think somewhere that would enable you extrapolate. We had close to ₹1,700 crores of GMV that was under execution in the sourcing as

a service business in quarter one. And that translated into approximately ₹42 crores of revenue, about 2.5% of the GMV. And that ₹42 crores translated into circa ₹10 crores of, you know, PBT. So, therefore, whatever ₹40-odd crores revenue we made ₹41 crores, 25% of that got translated.

So, therefore, you know, the GMV that I have, 2.5% of that comes to revenue and whatever revenue I have, 25% of that comes to PBT. So, this is the accumulation of the GMV that we built in the last 3 years or so. We believe this is the way it is going to shape up on an average as we extrapolate for the coming 2-3 years.

**Komal:** So, this includes brand management also, you talked about SaaS model, right, this one.

**Sanjay Jain:** So this, for example, this GMV of ₹1,700 crores, you know, has a larger share of the CSS, Asda business that we do from Bangladesh, about ₹700-odd crores. I have CASA Collective, which is in the home and general merchandise, that's about ₹520-odd crores. Then I have Spring near East, my vertical in Turkey doing about ₹276 crores.

Then I have Asda from Turkey. So, I'm giving you minute breakups. You know, so therefore, this does not include any kind of brand management. So, this is pure sourcing as a service. And this, as of now, does not include any portion from the newly signed contracts. These contracts have just been signed.

**Komal:** So, how the brand management unit economics for us in 2 years to 3 years? How much of that will attribute from that?

**Sanjay Jain:** Pallak, would you like to give brand management engagements that we're having? And then, you know, I think we are also towards the end of the call. So, maybe we'll just tell you about the engagements and then hand it back to operator. Pallak, you are there?

**Moderator:** Sir, it seems like his line has been disconnected.

**Sanjay Jain:** Yes. So, I think let me take this on a closing note and then give it back to operator.

**Komal:** Right.

**Sanjay Jain:** You know, so the New Lobster business had been, you know, the brand management business that we've been doing. And there is immense potential, but we are going slow. As of now, we did about ₹100 crores of revenue from the New Lobster business. And I think for the next 2 quarters, 3 quarters, you know, while we believe in it in terms of brand management as a potential that we want to scale up, but the following 2 quarters, 3 quarters, our focus would be more on design-led sourcing, our focus will be more on sourcing as a service.

Our focus will be more on enhancing the manufacturing through the Busana partnership and our focus would be on getting the perfection in the New Lobster Ted Baker execution to bring it to the profitability that you asked. So, that's where we stand. Over to you, Operator. Yes. Go ahead. Please, why don't you add, in the interest of time, I was trying to give it back to you.

- Komal:** Okay. If I understand better, basically, the brand management is mostly the Ted Baker side currently. We are not having other business apart from this one. So, this is the major one, which will contribute if we resolve the resolution in this, right?
- Sanjay Jain:** Yes. So, there is another ₹350, you know, odd crores of the, you know, business that we get from other brands that we have signed up under licensing arrangement. That continues to be profitable. That has always been in existence prior to Ted Baker. So, those kinds of initiatives will continue. The reason we get a little preoccupied while answering your question is we really want to make sure the Ted Baker business works out well in terms of profitability, and that's well.
- So, therefore, to answer your point, you know, ₹350 crores annually from the brands other than Ted Baker, that's about ₹90 crores per quarter, profitable business, very well up and running. We will keep exploring new sign-ups. But the other remaining ₹100-odd crores of New Lobster business, we are fixing it and then go ahead and sign more large deals like this.
- Komal:** Okay. I have one more question, but Sanjay, if you are out of time, then I can reach out to you personally or whatever it may be.
- Sanjay Jain:** Why don't you please reach out to me, Sadik or Shirley, and then we are very happy to take it.
- Komal:** Okay. Sure, Sanjay. Thank you. All the best.
- Sanjay Jain:** Thank you.
- Moderator:** Thank you. Due to paucity of time, we take that as the last question for the day and would now like to hand the conference over to the management for their closing comments.
- Sadik Sunasara:** Thank you so much, EY team, Chorus team, and thank you so much for all the participants who took time to be part of the call today. We remain available for any queries that you may have. We shall be in touch with you at the end of the next quarter. Thank you all and have a nice day ahead.
- Moderator:** Thank you. On behalf of PDS Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.