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PDS/SE/2026-27/83 November 11, 2026

Listing Department **National Stock Exchange of India Limited** Exchange Plaza, C-1 Block G, Bandra Kurla Complex, Bandra (E), Mumbai -400 051 **Scrip Symbol: PDSL**	**Corporate Relationship Department** **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 **Scrip Code: 538730**

Re: ISIN - INE111Q01021

Sub: Transcript of the Earnings Conference Call held on November 5, 2026.

Dear Sir/Madam,

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the Company's Earnings Conference Call held on Thursday, 5th November, 2026 at 2:30 PM IST wherein the Company's Q2 & H1 FY27 Financial results were discussed.

This transcript can also be accessed on the website of the Company at below given link: https://pdsltd.com/investors/financial-reports/?report_group=investor-updates-call-transcripts&sub_filter_type=call-updates&report_year.

You are requested to take the above information on record.

Thanking you,

Yours faithfully,
for **PDS Limited**

Abhishekh Kanoi

Digitally signed by Abhishekh Kanoi
Date: 2026.11.11 19:06:10 +05'30'

Abhishekh Kanoi
Group General Counsel & Company Secretary
ICSI Membership No.: F-9530

Enclosed: As above

“PDS Limited

Q2 FY27 Earnings Conference Call”

November 05, 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 Q2 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 this 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 from PDS Limited. Thank you, and over to you, ma'am.

Shirley Rodrigues: Thanks, Palak. Good afternoon, everyone, and a warm welcome to PDS Limited Q2 and H1 FY27 Earnings Call. The investor presentation and financial results of the company are available on the website and on the stock exchanges.

Please note that certain statements on this call may be forward-looking and should be read together with the risks the company faces. The call is being recorded, and the script and audio will be made available on the company's website and on the stock exchanges.

With us today are Mr. Pallak Seth, Executive Vice Chairman; Mr. Sanjay Jain, Group CEO; and Mr. Sadik Sunasara, Group CFO.

I now hand over the call to Mr. Sanjay Jain for opening remarks.

Sanjay Jain: Thank you, Shirley. Good afternoon, everyone. Thank you for joining us. At the outset, I would like to extend warm Diwali greetings to each one of you, wishing you Happy Diwali to you, to your family and friends.

At our last earnings call, we spoke about PDS gradually moving from a phase of building the platform to a phase of scaling it now. We also spoke about carrying the momentum of quarter 1, and I'm pleased to say that we have managed to sustain the momentum and not just sustain but also build on top of it.

The quarter 2 of FY27 marks a significant milestone for PDS with the highest quarterly revenue in our history. The revenue grew strongly both year-on-year and sequentially, reflecting the momentum that we are witnessing to see across our business.

The Americas as a region has been a particularly strong growth driver with the region growing 54% in quarter 2 and 44% in H1. As you all know, the last 2, 3 years, we've been investing into building a strong franchise to derive more sales from Americas, and we are pleased that the results are beginning to show.

Today, most of the key accounts we targeted are open. As we always say, first and most important is getting our foot inside the door, open the accounts. And now we are seeing customers move beyond trial orders to building meaningful volumes with us. This is an important transition as it reflects the deepening of customer relationship and the growing scale of our business.

And not only we are getting good breakthrough in design-led sourcing, we've also apprised you earlier in the financial year that we also secured Sourcing as a Service contract from one of our customers in U.S.

On the whole, our order book stood at ₹5,670 crores as of October, which is almost a growth of 13% over the same period last year. This helps us build on the base that we reported at the end of quarter 1 and quarter 2 and therefore, gives us visibility as we enter into quarter 3 with a 13% order book up over the same period last year.

The mandates that we discussed last quarter, including the Sourcing as a Service partnership with a large French retailer, are particularly encouraging. These are multiyear engagements, typically spanning 3 to 4 years. They're simply not incremental orders. They represent deeper customer relationships and provide a foundation for sustained growth over the coming years.

And having secured a long-term contract from a large French retailer also enables us to get a lot of brand equity and good positioning with many other prospective customers. And now, therefore, as we get into an execution of the current secured order, we remain very positive that this win should also open up more doors for us.

And what makes this growth particularly meaningful now for us is that we're also seeing this getting translated into profitability. Our focus is ensuring that growth is not just about scale, but about building a business that generates sustainable earnings and stronger return on capital employed.

We've also crossed, again, an important milestone on the balance sheet with PDS now net cash positive. This is a reflection of the progress we are making in cash generation, most importantly, in the working capital discipline and capital efficiency. It gives us a strong financial foundation as we continue to scale the business. We believe we have been into a relative investment phase over the last 2, 3 years, and therefore, we want to now stay focused on monetization of that and therefore, keep augmenting our cash flow position.

In H1, our investment in new verticals was ₹34 crores compared to ₹72 crores in the corresponding period last year, a reduction of 53%. If I may recall for all of us, in financial year 2024-25, we had almost close to ₹168 crores of investment through P&L in new verticals. We had targeted for ourselves that in '25-'26, we would bring it down by 25%. And in '26-'27, we will bring it down by half. That means ₹168 crores to be brought down to a level of circa ₹80 crores in current year. I think with ₹34 crores spent in H1, we are broadly on track.

As part of our portfolio rationalization and augmentation, we have either merged or exited businesses where the path to scale and profitability were less clearly defined, including the recent divestment of DBS Lifestyle. As you recall, we had earlier internally merged Design Arc into Poeticgem and now we exited DBS Lifestyle. Our focus and approach would continue to build scale in the business and a clear trajectory towards profitability.

Technology is a key enabler in our transformation, focused on enhancing productivity simplifying processes and drive greater operating leverage. Investing into technology, investing into IT and digital is an integral part and foundation as we take our company ahead. Our

initiatives span six areas from SAP S/4HANA and procurement transformation to real-time factory quality, AI-led design and pricing intelligence and then importantly, a master data management.

We are already witnessing some tangible outcomes. Our China subsidiary has experienced manyfold increase in their turnover with almost the same team leveraging cost-effective AI tools, demonstrating how technology can drive growth without a commensurate increase in the resources.

Our five strategic priorities remain unchanged: accelerating high-quality growth, driving profitability and margin expansion, strengthening cash generation and capital efficiency, building a future-ready enterprise and as a result, unlocking the long-term shareholder value.

We entered the second half with a good order book, deeper customer relationship and a continued sharper focus on execution. Our ambition is straightforward: to go deeper and wider as far as possible with our existing customer base, a new geography of North America that we have increased our focus in the last couple of years, drive more growth out of it and as a result, improve the profitability and convert a great share of our revenue into earnings and cash. This is how we intend to build a stronger and more resilient PDS over a period of time.

With this, allow me to hand over to Sadik to take you through the financial performance in further greater detail. Thank you.

Sadik Sunasara: Thank you, Sanjay, and good afternoon, everyone. Our Q2 revenue was ₹4,432 crores, up 29% quarter-on-quarter and 30% year-on-year. For H1, revenue was ₹7,876 crores, up 23%. Gross margin held firm at 20% in Q2 FY27, alongside a strong 29% growth in gross profit compared to Q1. For H1 FY27, gross margin expanded by 37 basis points to 20% with gross profit growing 25% year-on-year.

Despite prevailing cost pressures, we sustained gross margins, underscoring the resilience of our operating model and the discipline in our execution.

On the cost front, employee expenses in Q2 stood at ₹396 crores, an increase of 17% quarter-on-quarter. This increase was primarily attributable to disbursement of annual increments during the quarter and incentive payout. Earlier, we used to implement this in the month of October. So impact used to come in Q3. However, now it's preponed to July and hence, impact is in Q2.

On a half year basis, employee expenses increased by 17% year-on-year, which also includes the impact of around 9% due to forex movement, given our globally distributed workforce. Overall, employee costs continue to be managed in line with the business growth while supporting the scale and capabilities of our platform.

Other expenses for Q2 stood at ₹340 crores, an increase of 33% quarter-on-quarter. This was primarily driven by increase in semi-variable costs such as license and marketing fees in line with top line growth, costs associated with onboarding new SaaS businesses, higher freight expenses arising from an increase in DDP and LDP business to U.S. market.

EBITDA in Q2 was ₹153 crores, up 49% year-on-year at a margin of 3.5%, which is 44 basis points higher than last year and 66 basis points higher than Q1. For H1, EBITDA was ₹249 crores, up 62%, with margin expanding 77 basis points to 3.2%.

Below EBITDA, depreciation in Q2 was ₹40 crores, reflecting the larger asset base after Knit Gallery acquisition and our U.K. office property. Other income was ₹10 crores against ₹27 crores a year ago. Last year, it included foreign exchange gains and income from our venture capital and treasury investments.

Finance costs in H1 were ₹78 crores, up 2% in rupee terms, but down by 7% in dollar terms despite growth in top line. Similarly, versus Q2 last year, finance cost is down by 13% in dollar terms. This is largely due to lower use of invoice financing and import facilities and higher use of factoring and operationally generated cash. At a stand-alone India level, we prepaid one long-term facility of ₹35 crores, and we continue to evaluate such possibilities of reducing our debt levels.

Profit after tax in Q2 was ₹70 crores, up 144% quarter-on-quarter and 44% year-on-year with margin of 1.6%. For H1, PAT was ₹98 crores, up 44% at a margin of 1.3%.

Coming to segmental performance, our sourcing business delivered a strong H1 with revenue growing 25% year-on-year to ₹7,542 crores. EBIT stood at ₹175 crores, translating into a margin of 2.3%. Our Manufacturing segment recorded revenue of ₹452 crores with EBIT of ₹26 crores and a healthy margin of 5.8%.

On capital efficiency, our ROCE, excluding new verticals stood at 28% compared to a reported ROCE of 22%. As these verticals scale up and mature, we expect the gap to progressively narrow, further strengthening our overall returns profile.

Moving to the balance sheet. As Sanjay highlighted, one of our key milestones this year has been the significant strengthening of our financial position. Net working capital improved to negative 5 days in September compared to positive 4 days as of March '26. We also transitioned from a net debt position of ₹105 crores at March end to a net cash position of ₹₹154 crores at September end.

Finally, I'm pleased to share that the Board has considered an interim dividend of ₹2.2 per share for FY27, representing a 33% increase over the previous year. This reflects our continued commitment to delivering shareholder value while maintaining a strong financial position.

In summary, the half year shows revenue up 23%, EBITDA up 62%, PAT up 43% with stable margins and a balance sheet that is now net cash positive. Given this, we have a strong foundation for the second half.

I now hand over to Sanjay before we open the floor for questions. Over to you, Sanjay.

Sanjay Jain: Yes. Thank you, Sadik. We also wanted to apprise all of you that one of our independent directors, Mr. BG Srinivas, due to his personal and professional commitment is moving on. BG has been with us for the last couple of years, and we've been very blessed to receive his guidance.

Apparently, he's taking over a Chairman role for a large and progressive company in U.S., and that would entail a lot of his time and commitment getting spent over there. That's the reason we had to lose him so that he could actually take on a Chairman role in a different company. And we would, of course, continue to lean on him and seek his guidance from time to time.

With this, we open the floor for questions, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth.

Rahul Jain: Congratulations on a great set of numbers, and overall also balance sheet improvement. In the previous call, you had mentioned that post the quarter 2 numbers, you'll speak more on in terms of our guidance. Earlier, we were talking about mid-single-digit growth, but given the performance in the first half, so what kind of revenue growth guidance you are talking about for the current year FY27? And how do we look at FY28? That is my first question.

Sanjay Jain: I think if you may recall the scenario that was prevailing when we commenced the year, it has been a tough overall geopolitical situation across the world, high inflation in many parts of the world, high interest rates. And it was during these tough global environment that we had adopted a very cautious approach as we got into the year. We decided to stay focused as much on execution as possible. And being conservative also, in a way, helped us be very focused on capital efficiency.

So as a result, we could now lock in a good growth in H1 and our order books at present are 13% up. So this is pretty much where we are in terms of how the 9 months is looking. I think the environment continues to be tough. So as a result, would we take our caution away? I don't think so. I think you need to allow us to continue to be cautious but at the same time, stay stringent focus on execution.

So therefore, to summarize, H1 has been good. Q3 order book is looking positive as well. So therefore, we are, in terms of our execution, far more positive, but we will continue to be cautious and keep an eye as much as possible and in terms of the overall spend and therefore, try and get more profitability out as well.

Rahul Jain: I do understand that conservative stance, but as you alluded that the order books are good and the current quarter 3, we have started on a good note, some range with regards to the revenue expectation?

Sanjay Jain: I think I've almost answered you when I submitted that the H1 has been 23% up. The order book is 13% up, which means pretty much 9 months visibility. So where we are on the order book, it is our endeavor not to let it go down in terms of buildup. And the French retailer Sourcing as a Service contract is getting into execution as well. So, 23% behind 13% order book, that's pretty much where we are standing. So, I think that's how it adds up, my friend, as of now.

Rahul Jain: Okay. Sure, sure. And there is sequential order book, which has come down. This is more related to the seasonal kind of effect and as we move ahead, the order book growth will accelerate?

Sanjay Jain: I think the seasonalities do have, as you rightly mentioned, and it's kind of difficult to say how the order book is going to span out in Q4 and Q1 next year. What is important is to stay as much close to maintainable mid-teens kind of growth. And that is what our endeavor is. And I think we remain very positive about it. So that would have some fluctuations here and there, quarter-by-quarter. But on the whole, what I just mentioned, we want to remain closer to that.

Rahul Jain: Sure. Last question, sir, on the EBITDA margin side. So in spite of a sharp increase in employee expenses and the other expenses, and Sadik did allude to the increase in employee expenses due to the shift of bonus increments being done and also the reasons for other expense increases. But in spite of that, we have reported somewhere around 3.4%, 3.5% EBITDA margin. So 2 parts to this.

One is how do we expect the employee and other expenses to move going ahead, considering there are certain kind of one-offs in the quarter 2? And accordingly, how do we see the EBITDA margins going ahead?

Sanjay Jain: See, we have, on the EBITDA margin, kind of taken an approach that every year behind, we should at least be 50 to 70 basis points up on the EBITDA margin. And every year behind, we should be 50 to 75 basis up on the PAT margin as well. As an intermediate goal in the 2, 3 years, we want to get closer to 3% PAT. So I think that would be yes, in terms of how you should see the company in terms of its progression cycle.

Now answering your very specific point on the employee cost, I think, yes, as Sadik clarified, the big bump-up in quarter 2 is largely the preponement of the incentives and payout. And therefore, this growth that we have witnessed should kind of settle down in quarter 3 as compared to the quarter 3 of last year.

Moderator: The next question is from the line of Aditya from AK Investments.

Aditya: Firstly, congratulations to the team. After a reasonable amount of time, we have delivered good growth. Firstly, my question is to Pallak. Given the order book and expected H2 performance, how confident are you about the growth momentum? And also, could you share, for FY28, should we expect both stronger revenue growth and stronger profitability based on your interactions with the client, how is the order book shaping? Can you throw some light on these two?

Pallak Seth: So your question is around '28 order book growth?

Aditya: Yes, H2 and '28, how do you see?

Pallak Seth: I think what Sanjay had also mentioned that PDS has invested in some new business vertical in the last 3 or 4 years.In the first year, when we start a business, it's all about funding the overhead, and it takes time by the time a customer gets engaged and factory approvals happen. So we are behind that cycle now.

So between existing top 20 verticals growing organically at say, 5%, 7% and the new verticals growing at a much faster pace, we feel that we'll be able to maintain momentum of growth in

the next couple of years because there's a huge amount of customer traction as well, and the industry is shrinking, but only the strong players are going to go bigger and that consolidation period is immensely benefiting.

And moving from a product to a services business, when we talk to retailers, we just don't go and say that we're another manufacturer or a trading company. We talk about running their sourcing operation or Sourcing as a Service. We talk about running their buying operation as Buying as a Service.

So, all the additional services we're doing with these big retailers around the world are making our relationship more sticky, but at the same time, enabling us to talk about more predictable revenue streams, like this French retailer contract is actually a 5-year sourcing contract with almost managing $550 million on Sourcing as a Service volume a year.

So when you enter a French market where we hardly had any business in the past and then you take on the sourcing of the second largest retailer in this market, then the next 10 retailers start talking to you. So there's a lot of positive momentum on the way things are going. So we feel that in a consolidating market where things are not going to be easy, only a few players, both at the retail and supply side will win, and we feel we are deeply in that position at this stage. So I hope that answers your question.

Aditya: Yes, yes. And Sadikji, I have two questions regarding expenses. On the employee expenses part, what should we expect the steady state kind of employee expense because it has been increasing every year at a very stronger pace? So that is one. And second is on the other expenses.

If I see last year, right, there are three expenses which are taking larger share. One is travel and another one is legal, third is royalty. And with the legal, I assume that we have BCG-related cost. Can you also help us understand how long – or are there any levers so that other expense will also get reduced? This is my second question. Lastly, on the Ted Baker, can you quantify H1 losses, and if you have any resolution for Ted Baker? These are my 3 questions.

Sadik Sunasara: On the salary part, I think you should project maybe, let's say, 5%, 7% growth every year, right.So that's normal. This year, I think we are trying to contain that, not grow beyond, let's say, the number that we had for FY26. So we are expecting some savings on the employee cost. So let's see how Q3 and Q4 pan out. So we don't see more than 5% to 7% increase overall at all in FY27..

On the other expenses that you are talking about, so yes, it's largely -- as I mentioned earlier, there are semi-variable expenses like freight. There are expenses like licensing fees, royalties that we pay to brand owners in our existing verticals like Poetic Brands.. Then there are legal expenses related to consultants that we hire. There's something or the other which is happening either in manufacturing or at sourcing verticals within PDS. So those expenses are related to those..

So definitely, again, in other expenses, not everything varies as per the sales growth, and we see a potential of these expenses also coming down gradually as we get more operating leverage. The third question was related to Ted Baker. Sanjay, you want to take up on the Ted Baker?

Sanjay Jain: Yes. So I think you had 2 parts to it on Ted Baker, the numbers and the way forward. On the numbers, in the half year ended September '26, the income from operations was about ₹268 crores. It is close to 30% up as compared to ₹205 crores in the same period last year. And we had a ₹30 crores loss in H1 last year. Our loss is close to about ₹11 crores this year. So we have grown. We have brought our losses down.

But I think in our own assessment, we are not happy with the performance as of now. Therefore, we are exploring some few options with ABG support that how we can try and, first step, bring the business to a breakeven. This may also include some kind of strategic tie-up or partnership with third parties as well. And if that doesn't fructify, then we will take further cost rationalization measures in New Lobster, which may include further relocation from the relative high-cost location in Central London to far away in London -- farther from London.

So therefore, a stringent control on cost could help us get to a first milestone of breakeven. What is important is that the customer engagement is intact, as you can see from a 30% revenue growth, but the cost structures may have to be rationalized. The cost structure at present should warrant much more revenue than the present level of revenue getting generated.

If you recall, we lost the opportunity into the retail franchisee that ABG appointed. We lost them in U.K. because they went into administration. We lost them in U.S. We're trying our best through our B2B relationships to get to a 30% growth.

We are maintaining the cost in anticipation of generation of much more retail franchise-led growth. If that doesn't happen, then we will recalibrate, as I just mentioned. And before I hand it over back, allow me to also request Pallak's views here.

Pallak Seth: So I think Ted Baker New Lobster operation is one of the most challenging operations in PDS. So like Sanjay mentioned, we are looking at all options, reducing overhead and moving the operations north of U.K. but also we're discussing closely with ABG on where the future of the business lies because without a retail store partner in U.K. and Europe and U.S., which was a large part of our agency income that we used to get, that has disappeared, so the brand is not where it used to be.

So I think we'll have to take some action within this financial year and come to a solution that is workable for ABG and PDS, both as businesses. But this again seems to be one of the most challenging businesses for PDS at this stage, which we have to address head on in this financial year and hopefully then fix it for next year, reduce the losses or sell the business or restructure the business. So this is one of the high priorities of the management at this stage.

Aditya: Hopefully, we'll be able to do it. And, Pallak, on the longer term -- or I wanted to just understand because whatever the business we are in, geopolitically very sensitive. So I know there are uncontrollables, there are controllables for our business. So as per you, as you focus on mostly on controllables only, do you have any risk in your mind that are priorities that you want to fix in PDS so that once we start on the growth and they should not come and bite us on the controllable part? Any thoughts you have on that?

Pallak Seth: I would say if you're a manufacturing group sitting in one country, you are at much higher risk than where PDS is agile, nimble, global sourcing manufacturing platform. So we are really -- not really impacted by many geopolitical issues that might come up in one country or one geography. So if you're a manufacturer in India or Bangladesh or Turkey or Vietnam, any of these regions, you could have a major impact. But the way PDS is structured, we are able to move our supply chain.

And in fact, it adds to our benefit that when retailers look at geopolitical risk in one region, they come to PDS to basically see how we can help them diversify that risk into other geographies and it helps us increase our business. So the nimbleness and agility of the business model that whenever there's any disruption, it causes an opportunity for us. When things are stable, then it's like people stay where they are. But whenever there is distress, there's disruption, there's a flight to safety, a flight to risk diversification. So it helps our business to actually grow and thrive.

I'll give you an example. For example, Turkey, is one of the biggest manufacturing locations in the world and the inflation there is insane where many of the factories are closing down. But the PDS Turkey operation, which is Spring, because it's acted as an asset-light model, pivoted from a trading model to a CMD model and moved manufacturing to Morocco and Egypt.

So actually, the business is increasing now because customers are like, "We cannot source out of Turkey directly with factories." But working through Spring, we have options of multi-country sourcing using the Spring design and the merchandising order follow-up setup.

So actually our business is growing in a region where there's a lot of disruption. Many direct manufacturers' factories are closing down, but the Spring business is growing and thriving in this kind of geopolitical uncertainty or macroeconomic environment linked to inflation because of currency devaluation not keeping pace with the inflation of the country. So I would say that's actually our strength, not a weakness, the geopolitics, and it plays to our benefit whenever things are disruptive. So hope it answers your question.

Moderator: The next question is from the line of Krunal Shah from ENAM Investments.

Krunal Shah: So my question is, Sanjayji, that if you see our investment in new initiatives, it is ₹34 crores for the half year, whereas in Q1, it was around ₹37 crores. So we are close to breakeven over here. So would we expect this breakeven to continue into the second half as well?

Sanjay Jain: So I think if I understood your question right, we've done ₹34 crores of P&L-based investments. And in the past as well, before it spiked in '24-'25, a kind of $4 million to $5 million, that's circa ₹40 crores to ₹50 crores, has been an annual maintainable run rate of investing into growth of the P&L. So therefore, right now, if I annualize, we are close to ₹70 crores. So there is some headroom to bring it down. But then there is a ₹40 crores, ₹50 crores maintainable number, if that answers your question.

Krunal Shah: Yes, it has. Second question is on Ted Baker. What would be the kind of gross margins we'll be doing over there right now?

Sanjay Jain: So I think the previous participant also asked the question on Ted Baker. So as Pallak also said, this is the one which is troubling us. So we're trying to fix it. But to answer your point, in the H1, the gross margins were almost about 22% in H1. And they are slightly down quarter-over-quarter.

They were 30% in Q1. They're down to 22% in Q2 -- on the whole, 22%. We're slightly up as compared to same period last year. Last year was 18%. But as we said earlier, the cost structure need much more revenue to generate healthy profits.

Krunal Shah: Got it. And third question is on the GMV. What was our GMV number for the quarter?

Sanjay Jain: See, ₹the GMV that we kind of executed in the first half of the year is about ₹11,366 crores, and the GMV that we executed was ₹10,100 crores in the first half of the last year. That's almost like a 12.5% growth. So that's the number. And this GMV that we have executed, which I said is ₹11,366 crores, as of now, does not have any significant contribution from the recently contracted 2 orders.

If you recall, we had earlier mentioned a $50 million revenue from a U.S. customer. If I take the first year number to be about $10 million, that's ₹100 crores. And then the French retailer is almost $200 million on year 1. So that's almost like ₹2,000 crores, both put together. So this GMV of ₹11,366 crores in first half does not have any meaningful input from the new orders that we have contracted.

Moderator: The next question is from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai: Congratulations for very strong set of numbers. Kudos to the team. Sir, my first question is, you talked about and mentioned in the previous calls also that there would be about 50 to 70 bps margin improvement every year on the EBITDA level. But if I go back a little, I think our aspiration was to reach 5% PBT or PAT level in 5 years, whereas the margin improvement envisaged was significantly higher. So now I understand at the time the top line growth is muted, maybe the opportunity has been lost.

Dhwanil Desai: So this trajectory, why would it not go higher with operating leverage if the top line growth is coming back? I'm unable to understand this part that what was it that earlier we were factoring in which now is different.

Sanjay Jain: Okay. So the 555 potential that we had touched upon 2, 3 years back, we continue to believe in it. But the geopolitical situations have been extremely tough. And that's where we took a cautious stand in the beginning of the year. And so far, we have progressed well on the growth trajectory.

So far, we have progressed well on the margin trajectory. We have progressed well on the balance sheet in terms of cash flow. Our sourcing and service contracts are getting very well. And as Pallak mentioned, winning a contract from the second largest French retailer clearly opens up many more doors.

So all indicators in the last few quarters in terms of execution on the road map to 555 have been very well. However, you still heard us talking about 50 to 70 basis point improvement in EBITDA margin and a slightly more improvement in the PAT margin.

I think we are continuing to be cautious and we want a couple of more quarters of momentum of growth, momentum of profit growth to be maintained. And that's where we stand. The belief has been very much there, but the conservative approach, especially to make sure that the balance sheet is contained, the ROCE is maximized. So that's where some of our numbers in the near term of 50, 70 basis points are coming off.

Dhwanil Desai: Okay. Got it. And second question on U.S. So I think U.S., again, has scaled up very well for the first half, 23% of the business now is coming from U.S. So if you can talk about -- and you are just kind of getting started there.

So in terms of the scalability of U.S. operations, do we see reaching $1 billion kind of revenue or at least GMV in, let's say, next couple of years? And if so, how much of that is currently coming from Michael Yee or whether that engine is yet to fire?

Pallak Seth: Yes. So the U.S. market, it seems, is our fastest-growing market at this stage because there's a lot of traction coming from many retailers. Europe went through the cycle of the retailers starting to cut their costs and also design and sourcing to third party. Now we are seeing, with the pressures coming in U.S. with inflation, many retailers are restructuring their operation and also looking at third party to do more for them. So this is definitely benefiting us.

The most important thing is the main account for PDS is a lot of large retailers has been opened, like from Kohl's, Fashion Nova, Walmart, Target, CVS. So I would say, out of the top 10 retailers, 7 have at least opened our accounts. And the U.S. retailer open accounts used to do large volume business, so traction is very strong.

So, it's going in the right direction, but it takes time, 2 or 3 years, to scale up to the potential that we require. But opening the accounts and having the teams in place now is the most important step in that journey. So, I would say U.S. could almost be 40% to 50% of our business in the next 4 to 5 years, based on what we are seeing from our store base now. I hope that answers your question.

Moderator: The next question is from the line of Garvita Jain from Seven Islands PMS.

Garvita Jain: Excellent numbers, sir, but only one concern, which is on the manufacturing side. We see that the manufacturing has been weak on profitability. So I would like to understand more upon what led to this decline in the margins so far from approximately 8% to 2.8% this quarter. And what is it that management is doing to bring back the margins? And how should we expect the return to the earlier levels?

Sanjay Jain: Yes, the manufacturing did have a muted revenue growth. It's almost flat in H1 over the same period last year. A couple of things have led to the current situation. We executed a change of management 2, 3 quarters back, and that is kind of getting stabilized. So therefore, in that

transition, we lost a bit of momentum. But I think as we move ahead, the next few quarters are looking good.

And the Bangladesh order allocation by the customers has been under a bit of caution. While on the whole, PDS broad-based across geography sourcing model is well placed to be the beneficiary or, if at all, firstly mitigate this, any geography getting impacted and overall be a beneficiary of it, but talking specifically to our manufacturing, wherein it is largely concentrated in Bangladesh. So there has been a bit of caution by the customers.

So in our three factory portfolio, our Knit Gallery factory is growing and is looking very, very positive. Bangladesh is flat as of now. And we are -- ours are very compliant workers-friendly factories. So therefore, from a compliance perspective, we are very well placed. And as a result, these minor aberrations should get ironed out. And while these are the revenue-impacting factors, we believe that the growth in Knit Gallery should definitely drive the overall growth of our Manufacturing segment.

On the profitability front, there are two set of major initiatives. I think in the Indian factory, Knit Gallery, the product has been very good. The design resonates very well with our customers. So as a result, we are gradually trying to take the product from just value customers to value plus also the fashion customers as well. So therefore, the factory in India has been largely into kids category, having $1, $1.10, $1.20 average selling price. We are trying to improve it to $1.50. And I think the customer response has been good. That is the first step on the profitability.

On the Bangladesh manufacturing, you may recall, in July, we had signed up a partnership with Busana Group of Indonesia, wherein they have, in their customer list, very marquee fashion customers like HUGO BOSS, like PVH, Uniqlo, Lululemon. And we believe a partnership with them should enable our factory to be a beneficiary in twofold. They're bringing in high earning per minute order, and they're also helping the skill upgradation of our workers to do this.

So these initiatives should augment very well on the profitability front as well. So that's a long answer to your short question. But I think internally, it is very important for us that we bring manufacturing back on growth and also bring it closer to what we believe manufacturing should generate in terms of profit margin.

Moderator: The next question is from the line of Samvit Patel from dT! Partners.

Samvit Patel: Congrats on a great set of numbers. Just a couple of bookkeeping questions. First, on the finance cost side, I understand that we do factoring. But now that we're net cash, how should we think of this line item going forward?

Sadik Sunasara: Yes. So again, I've been maintaining this guidance on the finance cost that it is not going up compared to last year. So I think that's our guidance going forward again. In Q3 and Q4, our finance cost will not go up. So it should come down definitely.

And as I mentioned earlier in my opening remarks, we are trying to see wherever we can prepay some of the long-term debt. So that we have started doing. So in the last quarter, in Q2, we prepaid one ₹35 crores facility from Bajaj Finance that we had at India level. Similarly, we are

trying and exploring if we can prepay some of the other long-term facilities. So all of this should help us reduce the finance cost, yes.

Samvit Patel: Understood. And secondly, on minority interest, we're seeing it as a rising trend, go up to upwards of today -- I think this quarter was around 39% of PAT. How should we think about that as well because this has only been increasing in the last couple of quarters?

Sanjay Jain: So I think two or three things should improve it. When I say improve it means it used to be hovering around 20% to 25% about 2 years back. Ted Baker New Lobster losses are 100% absorbed by the platform. So therefore, it adversely impact the minority interest. Manufacturing other than a small management shareholding, it's pretty much owned by platform.

A subdued manufacturing performance also impacts. And some of the North America and other initiatives, new initiatives, were largely through platform.

So therefore, as we fix New Lobster, as we get manufacturing to better profitability, and I think while New Lobster we earlier covered, manufacturing I covered, we are bringing our new business losses down. So these 2, 3 factors, I think in about 2, 3 quarters, you should see a reversal of this, and you should see us gradually inching to about 25%, which we believe is a maintainable good number.

Moderator: The next question is from the line of Rudraksh Raheja from ithought Financial Consulting.

Rudraksh Raheja: Congrats on a great set of numbers. Sir, my question pertains to the investments part, the new verticals investment. This number was ₹37 crores in quarter 1. And for H1, it's ₹34 crores. So cumulatively, we did some kind of profits in quarter 2. Am I reading that right?

Sanjay Jain: Sorry, what's the question, sorry?

Sadik Sunasara: Investments in new verticals. So it has come down in Q2.

Rudraksh Raheja: By ₹3 crores, if we look at the H1 compared to the quarter 1. So in quarter 2, we did some profit there -- some kind of profit. So how should we read that, sir?

Sadik Sunasara: Yes, that's correct assumption, yes.

Rudraksh Raheja: Okay. Building on that, my question is that if I look at specifically quarter 2, this investment number is somewhere hidden in the employee cost and other expenses, if I look at from a P&L perspective. And considering that we are on a ₹70 crores run rate, as you mentioned, from next quarter onwards, we'll probably see some hit on employee costs and other expenses. Would that be a fair assumption, sir?

Sadik Sunasara: Yes, it's a fair assumption. But again, I would say you can't, one-to-one, correlate. So I don't have, let's say, exact number right now of employee costs and other expenses of those verticals. But maybe, Sanjay, you can add later on this.

Sanjay Jain: I think the way I need to request you to look at it is from a top line rather than from the expense side. I don't think in quarter 3, quarter 4, any of the new businesses which have been there in the

portfolio for the last 2 years would actually go up other than in the normal course. But of course, for example, the Sourcing as a Service from the French retailer that has got commissioned just now. We will separately apprise you.

But staying closer to answering your question, what was my new vertical 2 years back, 1 year back, that we do not anticipate to go up. And yes, it did make money. We also had record high sales in quarter 2. So therefore, what we generated as sales to cover those expenses were pretty high. When we are talking about a ₹70 crores annualized, we're talking about a normalized level of sales as compared to a bumper sale in Q2.

Honestly, while the order book is up 13%, if hypothetically, one assumes that one would have again had a similar kind of growth in quarter 2 and quarter 3, we would have made a breakeven on the new verticals against that as well. So our ₹70 crores is factoring in a normalized kind of growth in line with the 13% order book.

Rudraksh Raheja: Understood, sir. Understood. And sir, if I talk about the noncontrolling interest, another participant also highlighted, you also explained, sir, my understanding was that in North America also, we have some business where we don't completely own the business. And logically, if that business generates a growth for us, as America has done for us in the first half, so as and when America also scales up, there is a possibility that this noncontrolling interest remains elevated. Would that be right to assume going forward?

Sanjay Jain: See, the sales to North America is an aggregation of the Michael Yee vertical that you are touching upon that we contracted in the last 18 months or so. But the growth to America is also a renewed focus and augmented focus of some of our existing verticals.

For example, one of my verticals, Krayons, which has been in the portfolio for last many years, it has grown 21%. Zamira, one of our verticals, which has been in existence for the last 10 years, has grown 86%. Its sales to U.S. have gone up from $11.5 million to $21.4 million. So therefore -- PDS Asia Star, which is our China subsidiary, it has grown 47%.

So the growth is not just coming in from Michael Yee vertical. Michael Yee is helping us open more and more new doors. Michael Yee is helping us get the Sourcing as a Service contract. But under Pallak's strategic lead, some of our existing verticals are trying to go deeper into their existing relationships. So therefore, on the face of it, it assumes that it's only Michael Yee, no, it is much more broad-based.

So our growth in North America, to answer your question in summary, should not lead to a minority interest keep increasing, no. I think there are other verticals also who are firing in terms of getting sales out of North America.

Rudraksh Raheja: Got it. Sir, could you maybe explain a little bit qualitatively, like, which would be key customers or which accounts or contracts that have worked very well for us in the H1?

Sanjay Jain: So for example, the H1 sales are about $184 million to U.S. and Walmart as an account is about $20 million in terms of sales, and its growth are exponential as compared to same period last

year. Kohl's as an account is about $31 million of sales. The Fashion Nova is about $40 million. That has experienced 54% growth.

So it's kind of broad-based across our customer base, and I just picked up a few for example, Walmart is key account. Kohl's is key account. Kohl's, we are now getting more deeper and wider engaged with the customer. Fashion Nova was our e-commerce initiative. So these are some examples to cover in response to your question.

Rudraksh Raheja: Understood, sir. Understood. And sir, our understanding was when these key accounts, once they start firing up, that GMV that we would generate from here should be sustainable, is it fair going forward also that these accounts since now they have started firing for us, the growth should sustain from these?

Sanjay Jain: That's our endeavor, my friend, that maintain the growth momentum. But as I said, we will be conserving our balance sheet, conserving our cash and therefore, build up growth on top of it. Profitable growth is our focus. So we'll keep a cautious approach. But yes, we are positive and optimistic. The all signals of the efforts of last 2, 3 years, all signals in the couple of quarters have been good, and we're keeping our fingers crossed.

Rudraksh Raheja: That's very good to hear, sir.

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

Sanjay Jain: Thank you so much, everyone, for your time and participation in our conference call. And we look forward to again interfacing with you at the end of quarter 3. And in the meanwhile, on behalf of Mr. Pallak Seth, my colleague, Sadik and all of us at PDS, wishing you, your family, your friends, a Happy Diwali and very warm wishes to everyone. And thank you, EY team for getting this for us. Thank you so much.

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