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Stock Code : 540048	Stock Code : SPAL
Ref: Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015	
Sub: Transcript of the Conference call held on 23rd May 2024	

Dear Sir/Madam,

With reference to our letter dated 17th May 2024, intimation about the conference call with Analyst/ Investor held on 23rd May 2024, please find the attached transcript of the aforesaid conference call.

This is for your information and record.

Thanking You.

Yours faithfully,

For S.P.Apparels Limited

K.Vinodhini
Company Secretary and Compliance Officer

Encl: As above

"S.P. Apparels Limited Q4 & FY24 Earnings Conference Call"

May 23, 2024

MANAGEMENT: **MR. P. SUNDARARAJAN – CHAIRMAN AND MANAGING DIRECTOR**
MS. S. SHANTHA – JOINT MANAGING DIRECTOR
MR. S. CHENDURAN – JOINT MANAGING DIRECTOR
MS. S. LATHA – EXECUTIVE DIRECTOR
MS. P. V. JEEVA – CHIEF EXECUTIVE OFFICER
MR. V. BALAJI – CHIEF FINANCIAL OFFICER

MODERATOR: **MS. PRERNA JHUNJHUNWALA – ELARA SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 & FY24 S.P. Apparels Limited Earnings Conference call hosted by Elara Securities India Private Limited.

As a reminder, all participant line 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 "*" then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Prerna Jhunjhunwala from Elara Securities India Private Limited. Thank you and over to you ma'am.

Prerna Jhunjhunwala: Good afternoon, everyone. On behalf of Elara Securities India Private Limited, I would like to welcome you all to Q4 & FY24 Post-Result Conference and Business Update Call of S.P. Apparels Limited.

Today we have with us the Senior Management of the Company including Mr. P. Sundararajan - Chairman and Managing Director, Ms. Shantha - Joint Managing Director, Mr. S. Chenduran - Joint Managing Director, Mrs. S. Latha - Executive Director, Mrs. P.V. Jeeva - Chief Executive Officer and Mr. V. Balaji - Chief Financial Officer of the Company.

I would now like to hand over the call to the Management for Opening Remarks. Thank you and over to you sir.

P. Sundararajan: Good afternoon, everyone. I welcome you all to the Post Results Conference Call for Q4 &FY24 results of the company. I hope all of you had a chance to look at our Investor Presentation that is uploaded on the company's website and stock exchange.

India's textile industry is on the rise benefiting from significant global shifts. The "China Plus One" policy is driving businesses to diversify, with India emerging as a key player. At the same time, concerns in Bangladesh are leading international customers to seek stability and have begun to shift their focus on India and Sri Lanka for manufacturing. These trends are setting the stage for India to enhance its role in the global market.

Talking about the Garment division, I am pleased to provide an update on our Garment division. Our strategic approach has been twofold: We have continued to grow our established kids wear business while simultaneously diversifying into the adult wear and innerwear segments to accelerate the company's growth. We are not just sustaining our momentum in the kids and the baby segment we are actively expanding it with a new project in Sivakasi. The pilot project expansion is set to commence in June with the main factory expected to be operational by the third quarter of FY25.

In terms of capacity growth, we are employing a multifaceted strategy. This includes acquiring additional production capacities for new products and expanding offshore production in Sri Lanka along sales growth in our existing facilities. Our operations in Sri Lanka are already yielding results, with 2 customer's orders currently in production. Furthermore, we have received concurrence from a major customer to proceed with operations that promises to be a significant business opportunity. By the end of this financial year, we anticipate to have 1,000 machines including those from the S.P. UK in addition to S.P. Apparel India, fully operational in Sri Lanka. The potential for growth in Sri Lanka is substantial. Our customers are eager to shift some of their businesses away from China and reduce their dependence on Bangladesh too due to the economic unrest there. This shift is creating an increased demand for our services in both India and Sri Lanka.

Additionally, to meet the rapid increase in volume demands from our customers, we are offering them the full capacity of our Sri Lankan operations we expect this to drive significant growth in the coming years. Additionally, through the acquisition of the Company Young Brand, we have added 2 new customers to S.P. Apparels Limited, which aligns with our cross-selling opportunities. This is a testament to our commitment to expanding our customer base and enhancing our market presence.

In our garmenting division, we are seeing a healthy increase in both our order book and capacity, which is growing at the rate of 7% to 10% without considering Sri Lanka. The current order book is Rs. 389 crores. Commenting on our garment division performance the adjusted revenue stood at Rs. 938.4 crores with EBITDA of Rs. 165.5 crores and EBITDA margin of 17.6%. The utilization stood at 78% compared to 72% in FY23.

With regards to Young Brand, I am excited to announce that we will be completing the 100% acquisition process of Young Brand Apparel before the end of this month marking a significant milestone in our expansion journey. There are many barriers for entry in the Innerwear sector and we were able to enter this industry through Young Brand. Our customers are looking forward to ordering from us once the acquisition is complete. We are seizing cross selling opportunities by targeting Young Brand American clientele for our children wear segment, while also pitching our existing children wear customers on the Young Brand innerwear range. We have already begun to expand our customer base through these cross selling initiatives. This strategic move is poised to strengthen our position and catalyze growth in the dynamic apparel industry.

With regard to Textile division that is Spinning and Clothing division, in our Spinning segments we are witnessing a stabilization of cotton prices, presenting us with the promising opportunity for bottom line improvement. Moving to our dyeing facility, I am proud to report that it is operating at full capacity, reflecting the high demand for our quality services.

Regarding Retail division, during FY24 S.P. Retail Ventures recorded revenues amounting to Rs. 82.9 crores compared to Rs. 80.6 crores in FY23. In our Retail division, we are exiting from head brand shortly. To further fuel our growth and capitalize on emerging opportunities, we are considering engaging with strategic or financial partners, a move that will strengthen our footing and enable us to scale new heights in the retail landscape.

With regard to S.P. Apparel UK Limited, our FY24 S. P. UK's revenue amounted to GBP 5.48 million compared to GBP 5.98 million during the same period last year. The current value of our order book stands at GBP 2.7 million. S.P. UK has navigated through the challenges posed by the cascading impact of COVID-19 with resilience and strategic restructuring. Our dedicated team in London has worked tirelessly to stay in the business back to a path of robust performance. As a result, we are now in a strong position under planning to double our business by FY25. By the end of this quarter, we anticipate having 5 customers for S.P. UK reflecting our growing market presence.

Furthermore, our efforts are geared towards doubling our topline by FY25 with our operations in Sri Lanka playing a crucial role in supporting this ambitious goal.

General Outlook, I would like to add that as we look to the future, our prospects for substantial growth are bright across all divisions. The Kids wear division a cornerstone of our business is set to expand with additional capacity and 2 new major customers coupled with our foray into the adults and innerwear segment we anticipate a significant increase in our market share. The association of Young Brand is a strategic move that allows us to enter the innerwear markets, broadening our product offerings and tripling our growth trajectory forward.

In Sri Lanka, we see boundless potential with a high demand and plentiful labor allowing us to rapidly scale up to 2,000 machines in the near future. For our S.P. UK division, we are focused on doubling our topline in FY25, capitalizing on the significant opportunities ahead. We are also in the process of implementing the ESOP scheme pending shareholder’s approval, which will further strengthen our business model. This is a time of transformation and expansion and we are fully committed to seizing the vast growth prospects on our horizon.

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

V. Balaji: Good afternoon, everybody. I will just run you through the Financial Performance of the Company. On a standalone basis for the, Q4FY24 adjusted total revenues stood at Rs. 254 crores, which is at the growth of 9.3%. Adjusted EBITDA stood at Rs. 38.5 crores which is an EBITDA margin of 15.1% and PAT for the current quarter stood at Rs. 26.84 crores, which is at the growth of 15.3%.

On a standalone basis for the whole year, we have done an adjusted total revenue of Rs. 938 crores and an adjusted EBITDA of Rs. 165 crores with the margin of 17.6% and with a PAT of Rs. 103 crores at a growth of 13%. Our EPS stood at 10.7 per share for the current quarter and EPS for the whole year on a standalone basis stood at 41.4 per share.

On a consolidated basis, our revenue for the quarters stood at Rs. 294 crores, which is at a growth of 7.8% year-on-year and our EBITDA stood at Rs. 38.92 crores at an EBITDA margin of 13.2% and our PAT stood at Rs. 28.4 crores with the growth of 38%.

For the whole year, we have done an adjusted revenue of Rs. 1,077 crores and then EBITDA margin of Rs. 155 crores, which is at 14.4%. PAT stood at Rs. 89 crores, which is at 8.6 growth rate year-on-year. Our EPS for the current quarter stood at 11.3 on a consolidated basis and EPS for the whole year stood at 35.7 per share.

On segment wise performance on adjusted revenue our Garment division revenue stood at Rs. 254 crores with a Rs. 38 crores of EBITDA which is at 15.1%. This reduction in EBITDA is purely because of airfreight that happened during the current quarter due to the inefficiency of labor.

S.P. UK revenue stood at Rs. 14.06 crores for the current quarter with an EBITDA of minus Rs. 72 lakhs which is purely because of the overhead which has been occurring due to the change in the office premises. And our retail performance for the current quarter stood at Rs. 25.36 crores on the topline with a marginal EBITDA of positive Rs. 40 lakhs for the current quarter. For the whole year Retail performance was Rs. 82.9 crores with an EBITDA negative of Rs. 8.19 crores.

On the current debt position, our long term debt stood at Rs. 91 lakh which is very minimal and working capital stood at Rs. 101 crores. So total gross debt is Rs. 102 crores and cash and cash equivalent is Rs. 59 crores on a standalone basis and net debt as on 31st Mar'24 is Rs. 42 crores.

All other information is available on the website and now I would request to take up questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aman Agrawal from Carnelian Capital. Please go ahead.

Aman Agrawal: Congrats on a good set of numbers. My first question was on the outlook for the Garment business like how is the interaction with the customers in Europe and US like, are we seeing a revival in demand? How do you expect the demand to sign out for FY25 like more towards H2 of FY25 or like do you see good demand basically starting from Q1 itself?

P. Sundararajan: As I mentioned in my speech that the customers are looking for number 1 is the consolidation of the suppliers that is key thing most of the retailers are doing off late the last about 5 to 10 years' time. So definitely they will cut down the number of suppliers who are underperforming or small or non-vertical setups and they will move the business to much bigger in size, backward integrated and the long term associated factory. So definitely we stand to gain because we are the preferred suppliers for all our customers. In addition to that, this anti-China sentiments, all over Europe, UK and the US, so we always stand to get the opportunity of diverting some of the business from China. Now in addition, even Bangladesh, the European, American and the UK customers, they want to mitigate the risk of diluting the concentration of sourcing from Bangladesh because too much of orders being placed in Bangladesh because they find it too risky, so that also starts moving to India and Sri Lanka. So as such we don't see any order booking difficulties in the near future.

Aman Agrawal: I am talking about our traditional business, like what kind of volume growths are we targeting? I am not talking about the acquisitions we have done on the Sri Lanka unit which we are basically focusing on, on our traditional business the existing factories we have, what kind of volume growth are we targeting for FY25?

P.V. Jeeva: As per MD speech, we are targeting for 7% to 10% excluding Sri Lanka this year and once Sri Lanka operation is through, there will be an additional value.

P. Sundararajan: We expect between Rs. 100 crores to Rs. 200 crores of business in this FY25.

Aman Agrawal: From Sri Lanka?

P. Sundararajan: Yes, FY26. Because in FY25 the shipments will start from second-half only.

Aman Agrawal: So now coming on the capacity utilization like earlier we had guided for 90% kind of capacity utilization by Q4, but we have achieved 76% only, so what is the challenge here? And how are we looking to resolve this going forward?

P. Sundararajan: We have achieved 78%, but continuously it is improving and I am sure by end of FY25 we would be able to reach 90% efficiency. See because in between there are some disturbances with regard to the election things and lot of things, so the people did not turn up and now it is settling down. So from now onwards, we are expecting a workforce inflow much better now. So I am sure by end of the financial year we will be able to achieve between 85% to 90%.

Aman Agrawal: So next question was on the garment division margins, for this quarter we have reported 15.1% margin, but we used to do 18% kind of margins before and our guidance is to be around 18% to 20%, so what impacted our margins this quarter? And what kind of margins should one expect for next year?

V. Balaji: Aman, if you recollect in the speech, it was informed that there was some air shipments that happened during the current quarter because of higher inefficiency and Red Sea Issue, so this quarter we had taken a hit of around Rs. 4 crores from the airfreight that has pulled down a margin to an extent of 250 bps for the current quarter. But still our guidance on the margin will be at 18% and we continue that 18% can be sustainable for the whole year, maybe this quarter there is a reduction in margin this quarter, but when you look at year wise our EBITDA margin is closely to 18% we are at 17.67% which is close to 18% and even for the next year we are guiding for an 18% EBITDA margin for the whole year.

Aman Agrawal: Next question was on the retail business. We have delivered positive EBITDA margins for the first time in the last few quarters in this business, so what basically drove this improvement in margins? And was there any one-off which led to this kind of positive margins for us in the retail business?

V. Balaji: If you look at the turnover we have done, a Rs. 25 crores of turnover for the current quarter. So whenever we do Rs. 100 crores for a year, we are breaking even at the EBITDA level and that is what is reflecting in the numbers. When you look at, compare it year-on-year we have done closing to same number, but last year the yarn pressures were high, so our margins were on the lower side, but now I think we are back on the margin. On the gross margin level, we are doing well and that is why you see that EBITDA is positive. Once we do Rs. 25 crores, the back office expenses, which is purely the fixed overheads are getting diluted in terms of the margin.

Aman Agrawal: So for FY25, how to think about the retail business like do you expect to achieve Rs. 100 crores kind of turnover in that business and the EBITDA breakeven, how should one basically think about retail business in next year?

V. Balaji: So, two things in terms of FY25, first is that we are looking at Rs. 100-110 crores of topline for FY25, that itself will definitely bring the EBITDA positive for the retail division for the whole year. And in terms of the non-performing head as our MD as informed that we are exiting head by December 2024. So, it is a new brand which has come that is non-performing and we are exiting that and this also will start yielding better margins going forward. So, I guess these are the two things which will guide this going forward in terms of topline and EBITDA margins.

Aman Agrawal: So in terms of tax rate in this quarter we had very negligible tax rate, so what was the reason for that like we just had Rs. 1 crores of taxation for this quarter?

V. Balaji: Tax rate for the current quarter because Retail we have taken deferred tax assets for the full year, so which is closely around Rs. 3.5 crores, so that is why there is a reduction in the tax rate.

Aman Agrawal: We have booked deferred tax on the Retail business right, sir?

V. Balaji: Deferred tax assets.

Moderator: Thank you. The next question is from the line of Shubham Sunil Jain from NV Alpha Fund. Please go ahead.

Shubham Sunil Jain: I just had one question, so you mentioned that there are 2 things that we are doing 1 is creating a presence in Bangladesh and the second thing that we have done is the acquisition of Young Brand, which has given us access to Innerwear. So I just want to understand that from our existing customer itself, what kind of wallet share opportunity does this open up for us? What is the amount of garments they are sourcing from Bangladesh? And what kind of Innerwear sourcing are they doing across India and Bangladesh?

P. Sundararajan: Already in the Innerwear Young Brand we have already our capacity being used for about 67%, so for the remaining, we will be bringing in our existing customers who will be ready for placing the Innerwear business to Young Brand which means easily this capacity can be filled. So there is no question of how much quantity or something because their expectations are very big, but our requirement is small, so it is not a big deal. Today the business is because of the consolidation the customers are willing to give us as much business as we want, so only the capacity needs to be grown as we grow the capacity, we will be getting more businesses, more orders. That is the reason why we are acquiring new running factories and we are also stretching up to Sri Lanka for additional capacities. Which means that we have the definite businesses from our customers based on which we are expanding our arms to new factories and the offshore productions.

P.V. Jeeva: And also, you were talking about the Bangladesh product, the product what they are trying to divert from Bangladesh is the same kind of product which we are already doing.

Shubham Sunil Jain: So first I have a follow up question on Young Brand, so at full revenue potential, what is the kind of revenue we can do from the existing facility that is there?

S. Chenduran: The potential if you do 1 shift, we can do Rs. 1,250-1,300 crores of revenue on the garment division and in terms of Young Brand, I think we can do closely around Rs. 450 crores with the current capacity.

Shubham Sunil Jain: And how much more land is available over there for us to scale up? Can this Rs. 450 crores become Rs. 1,000 crores in Young Brand itself and just in terms of capacity?

S. Chenduran: I think the land is sufficient enough we have 24 acres of land there and what is being utilized is only 7 acres, so land is not a constraint.

Shubham Sunil Jain: So I just want to understand how much more wallet share can we gain our existing customers just because of our setting up capacity in Bangladesh?

P. Sundararajan: It all depends on the capacity what we offer to them. If we offer them say another 1,000 machines then probably they will increase monthly another one million pieces. So that is a kind of underwriting with our customers.

Shubham Sunil Jain: So what is the kind of capacity that we are putting up in Bangladesh in terms of revenue?

P. Sundararajan: We are not putting up anything in Bangladesh. They want to deal the concentration in Bangladesh, so they will divert to India and Sri Lanka. We have additional capacities in Sri Lanka, not in Bangladesh.

Moderator: Thank you. The next question is from the line of Rehan from Equitree Capital. Please go ahead.

Rehan: I just wanted to know what is the contribution from Spinning for this Quarter 4?

V. Balaji: Spinning division in terms of the EBITDA level, it is close to around Rs. 40 lakhs profit.

Rehan: Rs. 40 lakhs for the quarter?

V. Balaji: Yes, EBITDA level.

Rehan: Second is that considering that you are targeting 85% to 90% capacity utilization from your core business, by FY25, what is the optimum capacity 90% sort of the peak or then you will have to debottleneck? How does that function?

P. Sundararajan: That is all the time and now we are in 78%, so gradually will ramp it up to 90%. So it will be all the time throughout the year that capacity will be maintained.

Rehan: So then other than that 90% then you will move to Sri Lanka for further business that is correct?

P. Sundararajan: No, that is parallelly happening. See why we are going to Sri Lanka is for sudden increase because the customers want us to take more business and the bottleneck here is the capacity, so they are permitting us to take use of the capacity out of Sri Lanka, where they are also benefited by duty free thing and we also benefited by extra business, so the Sri Lanka operation will give us immediate jump to up to Rs. 100 crores in this financial year and next year maybe Rs. 200 crores to Rs. 300 crores increase, but parallelly, we will also be increasing our capacity to 7%-10% of the capacities year-on-year, so that will also happen. And the third one is we are putting up our new factories in Sivakasi that will also be added on to our India capacity. And acquiring this Young Brand is additional capacity of 1,800 machines that is also added on to this one. So we are making the efforts on the 4 side, the existing continuous improvement, offshore Sri Lanka and the acquisition of Young Brand and 1 or 2 more factories we are still looking for under the new projects.

Rehan: Third is that the competitor who is in a similar product mix as you gets better price realization, so just wanted to understand, do we foresee any better realizations going forward or why are they getting better realizations versus us because they are in similar business segments?

P. Sundararajan: As I mentioned in my speech, we are now looking for Adult products also, so that is the reason why we are looking at Adult products, so this will improve the average price realization. So this will happen over a period of time.

Rehan: And can you help me understand, what is the current open exposure for your FOREX position?

V. Balaji: We are covered up to 94% only 6% is open.

Rehan: And just to clarify your guidance for volume on the core garment business will be 7% to 10% is that correct?

V. Balaji: Correct.

Moderator: Thank you. The next question is from the line of Pinkesh T from Profit Gate Capital. Please go head.

Pinkesh T: As I could see like from FY23 to FY24, we are in a flattish mode like we have grown just 0.9% and while our export volumes are stagnant from last 2 quarters, so this growth of just 1% and the exports growth at flattish mode. Is it because of the rising cotton prices and the inflation, there is no clue that I can conclude that there is a volume growth at the business side, so what is the Company's view on this?

P.V. Jeeva: Actually when compared to FY22 to 23, there was an increase in capacity, but although there was increase of 5% to 7% increase in capacity, the average rate because in FY22-FY23 the yarn price was on higher side when compared to that in FY23-FY24 there is a difference of 3% to 4% reduction in the overall value which had a hit on the overall sale. And also the efficiency, because we started recruiting more number of migrants, so there is an efficiency drop of 5%. So we took a hit of 8% in the sale, otherwise we would have achieved, so there is a flat revenue we got otherwise we would have achieved 8% on the sale that is the main reason.

Moderator: Thank you. The next question is from the line of Akash Kothari from JHP Securities. Please go ahead.

Akash Kothari: So I just wanted to know you have guided for 7% to 10% volume growth this is after factoring in the FTA because it is very much likely that FTA will be coming in this year itself?

V. Balaji: So with respect to FTA, there is no need to comment on that because….

P. Sundararajan: Nobody knows maybe after the new government is formed, they will again initiate it.

V. Balaji: Actually July 4th there is election in UK and after new government formation in India and new government formation in UK, again people have to start from first, so we don't want to comment much on FTA.

P. Sundararajan: It so let us not talk about it and let us work considering no FTA. That is how we have started working.

Akash Kothari: So 7% to 10% is excluding FTA, which could be much more in case FTA comes in this year itself?

V. Balaji: See FTA has no impact for us. There could be an impact on the margin to an extent of 100 BPS that could be the only factor.

P. Sundararajan: To be honest even without FTA, the business from China and Bangladesh is diverted. So I don't think India has enough capacity to face that kind of volume of orders. So FTA has got no impact at all at the moment for India. Let us say if FTA come the duty-free benefit will be passed to the customer. We will not be benefited, so that will be helpful only when India is in want of order, but that is not the case today.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from Elara Securities India Private Limited. Please go ahead.

Prerna Jhunjhunwala: Congratulations on good set of numbers. I just wanted to understand your demand scenario much better because we are talking about Rs. 100 crores of revenue from Sri Lanka this year and 7% to 10% growth in garmenting. On an overall basis, how do you see demand shaping up? Are customers giving you price hikes in current scenario or they are just willing to give more orders at a reduced price? And how is the profitability spanning out in both the segments for Sri Lanka and India, so could you just help on that?

P. Sundararajan: The price from customers will continue to be under pressure. Nobody will increase the price unless otherwise there is a big impact. In fact when the yarn prices shot up, everyone consider a little bit of contribution, but otherwise every season there will be a pressure on the prices, so we will never think of increasing our selling prices that is for sure. So we have to mitigate this in so many ways internally by maintaining the material cost, overheads and the labor cost efficiency, lot of things we need to do. And for our fixed overheads here had it been enough instead of Rs. 1,000 crores if it is Rs. 1,500 crores of business, the margin would have improved because the most of the things are fixed overheads over here. So that is one of the reasons why we are taking Sri Lanka business also which will help us bringing, it is not this kind of margin there will be definitely reasonable margins will be brought to our whole S. P. Apparels Company even if we see in the next 2 years' time, if it is Rs. 200 crores to Rs. 500 crores in 3 years' time, so automatically the existing overheads will take care of additional Rs. 500 crores to Rs. 1,000 crores. So that is the only way we can improve the margin and the volume, the capacity increases the negotiating power with the mill, for the dyers and everything that will also help us.

V. Balaji: I would like to add 1 more point here, sir said first year for Sri Lanka operation will be Rs. 100 crores and 2nd year it will be 200 crores, not for FY25. So it is Rs. 100 crores for the first year of Sri Lanka operation.

Prerna Jhunjhunwala: We start from H2 of this year?

V. Balaji: Yes, correct.

Prerna Jhunjhunwala: Sir, I wanted to understand the Sri Lanka operations a little more in detail in terms of which customers, your existing customers, new customers, where are these orders getting booked in India, S.P. UK? Some clarity on the customer profile of Sri Lanka business that is being run today and expectations on that business.

P. Sundararajan: It is only the existing customers they want to place more business with us, but because of the capacity constraint they are allowing us to produce from Sri Lanka, so only the existing customers business will increase and we are open for increasing customer base by adding few more new customers after we have acquired Young Brand, so we are taking those customers also for our products and also some of our customers will go to Young Brand for the Undergarment one. So it is only existing customers of Young Brand, S.P. UK, S. P. Apparel at the moment.

Prerna Jhunjhunwala: What is your current capacity in terms of machines today?

V. Balaji: Close to 5,000 machines.

Prerna Jhunjhunwala: And we are adding 1,000 machines this year in Sri Lanka?

V. Balaji: Yes.

Prerna Jhunjhunwala: And in India Sivakasi is around 500 odd machines?

V. Balaji: Yes, correct.

P. Sundararajan: And 1,800 machine of Young Brand.

Prerna Jhunjhunwala: This will be a total capacity for FY25 end of the year?

P. Sundararajan: Available, by the end of the year

Prerna Jhunjhunwala: Then we look at more capacity expansions in Young Brand and in Sri Lanka when you are fully utilized over there?

P. Sundararajan: Exactly you got it rightly.

Prerna Jhunjhunwala: Sri Lanka will be job work or manufacturing, all the efficiency and everything will have to be looked by you or by the partner?

P. Sundararajan: Say it is like this for S. P. UK businesses it is on FOB basis they place the order and they supply it. And for S. P. Apparels India it is a job work only CMT we sell the materials from here because Sri Lanka is not indigenous to produce any of the raw materials that is the way the country operates for this industry. So it will be on same as it is a job work basis.

Prerna Jhunjhunwala: Thank you, sir. There is lot of clarity and all the best for strong growth in the coming years.

Moderator: Thank you. The next question is from the line of Aman Agrawal from Carnelian Capital. Please go ahead.

Aman Agrawal: Sir in terms of debt like after this acquisition, where do we stand like currently we have net debt of Rs. 42 crores, so after the acquisition and the CAPEX plans we have, how do you think the debt will move for next year? Just wanted to clarify that.

V. Balaji: What we have done is all the investments that were placed for the purchase of this acquisition has been diluted and we have closed down all our packing credits. So I guess once we complete the acquisition process, our debt could go close to net debt including the packing credits can go up to Rs. 150 crores and Rs. 160 crores.

Moderator: Thank you. I now hand the conference over to the management for closing comments.

P. Sundararajan: I want to express our sincere gratitude to our shareholders, customers and dedicated team for their continued support. We are excited about the path ahead and remain committed to delivering sustainable growth and value. Thank you for joining us today and we look forward to sharing our future success with you. Thank you and have a good day.

Moderator: Thank you. On behalf of Elara Securities India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.