PDS/SE/2021-22/41 August 7, 2021

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

Re: ISIN - INE111Q01013

Sub: Transcript of Earning Conference Call pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

Dear Sir(s) and Madam,

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation letters dated August 4, 2021 and August 6, 2021, regarding Earnings Call on Friday, August 6, 2021 at 3:30 pm IST to discuss Company's Q1 FY22 Earnings, please find enclosed herewith the transcript of the aforesaid Earnings Call for your kind reference.

We request you to kindly take the above on records for the purpose of dissemination to the Shareholders.

Thanking you,

Yours faithfully,
for PDS Multinational Fashions Limited

PDS MULTINATIONAL FASHIONS LTD. MUMBAI

Abhishekh Kanoi
Head of Legal & Company Secretary
ICSI Membership No.: F-9530

Encl.: As Above

“PDS Multinational Fashions Limited
Q1 FY2022 Earnings Conference Call”

August 06, 2021

MANAGEMENT: **MR. SANJAY JAIN - GROUP CHIEF EXECUTIVE OFFICER**
MR. ASHISH GUPTA - GROUP CHIEF FINANCIAL OFFICER
MS. REENAH JOSEPH - HEAD CORPORATE FINANCE, M&A & INVESTOR RELATIONS

MODERATOR: LADIES AND GENTLEMEN, GOOD DAY AND WELCOME TO Q1 FY2022 EARNINGS CONFERENCE CALL OF PDS MULTINATIONAL FASHIONS LIMITED HOSTED BY INVESTEC CAPITAL SERVICES. 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 "*" THEN "0" ON YOUR TOUCHTONE PHONE. PLEASE NOTE THAT THIS CONFERENCE IS BEING RECORDED. I NOW HAND THE CONFERENCE OVER TO MR. SANJAY JAIN, GROUP CEO. THANK YOU AND OVER TO YOU, SIR!

Sanjay Jain: I am also here with my colleagues, Ashish Gupta, who is our Group CFO and my colleague Reenah Joseph,she is Head Corporate Finance, M&A & Investor Relations for PDS. A very warm welcome to all of you to this first earnings call of PDS Multinational Fashions Limited. Given that this might be our first interaction with some of you, allow me to start with a brief overview of the company.

PDS is a global design led sourcing manufacturing and supply chain platform catering towards leading brands and retailers. We have established our presence across 22 countries including UK, Belgium, Germany, US, Canada, Turkey, India, Sri Lanka, Bangladesh, China, Myanmar, Cambodia, Egypt, Jordan amongst others.

We also own and we also operate manufacturing facilities in Bangladesh, Sri Lanka, and India. This fiscal year for us has begun on a positive note with a 68% growth in the Q1 at this financial year with a topline of ₹1,626 Crores and a PAT growth of 27 times over the corresponding quarter one of last year. While this can be seen as coming in from a low base of Q1 last year; however, if we compare ourselves to Q1 of FY2020 we have surpassed the pre-COVID levels across all parameters and if you also look at in the last five years, first quarter performance, this quarter has been the best performance in terms of topline and margin expansion. Over the five-year horizon on an average, we have been achieving sales growth and a gradual expansion on our margins.

Our sourcing business which accounts for 94% of topline has clocked 65% growth in the first quarter of this financial year. This is a very interesting play for us as it has its foundation in high scalability with minimum capex. If we just change our lens of how we perceive the sourcing business it is in a sense a service offering of design, quality assurance, compliance and supply chain management to marquee global retailers and brands.

It is a crucial link between the brand retailers on one hand and the manufacturers, stock vendors on the other hand. Hence the topline can be seen as the merchandise value the that the platform channelizes which is similar to a B2B service company.

The gross margin of 16% is actually what we really make in this business hence the derived operating margins will be very much in line with any leading services company providers with EBITDA margins being north of 30% on the base of what we make as gross margin if you take our gross margin as a revenue base then the EBITDA margins that come will be the north of 30%. We also made a humble attempt in our presentation to give you some insights or colors on these lines along with the financial metrics of similar domestic and international services companies.

Further, we are thrilled that we have senior business leaders collaborating with the PDS platform. Friends, on one hand while we have the businesses led by our platform leaders or vertical heads who have been there in our portfolios for many years and we will keep investing as part of our growth strategy into partnerships, with senior leaders. So in this direction Mr. Gaurav Pandey, who is based out of Hong Kong has joined PDS and he is furthering our strategy of expanding in the North American market and making indoors with leading retailers.

We also have another gentleman Mr. Eric Leddel who is also based in Hong Kong and in his previous assignment was responsible for growing the private level portfolio from $200 million to $600 million with key multichannel North America and UK retailers. Eric is leading the home category for PDS and enabling PDS expand footprint in the US geography.

Active discussions have already begun with retailer brands and we should see the results of these two gentlemen Gaurav and Eric fructifying in the Q3 and thereafter. Very recently we announced Mr. Russell Wyeth, joining the PDS platform catering to the young fashion print and fast fashion. Russell again is a senior professional with 30 years of experience supplying to UK high-street and digital retailers. Russell would be based out of London. PDS is preparing itself for the next phase of growth driven by new categories and newer geographies and these two gentlemen are helping us in that direction.

In Q1 of this financial year, the new initiatives have resulted in an additional operating expense which actually should be seen as an investment to the tune of approximately ₹6 Crores, if we adjust this our PAT would have been correspondingly higher but that is the investment we have been making into new growth initiatives, and it is important to note that on an average, it takes some three years by the time such initiatives are up and running and generating the full potential and we believe that these efforts that we are making by these gentlemen coming on board, adding new categories newer geographies would start showing good results in 12 to 18 months from the inception stage.

We are also working very closely with the retailers for building their product portfolio. We support retailers with our expertise for creating exclusive brands for them and we benefit from their distribution network to expand our product range. This is margin accretive for both of us. We have created brands with celebrity or influencer collaborations which have sold exclusively to the leading retailer outlets in UK.

Some of these brands also emanating for the thought of being a 100% sustainable range which fits our retailers and our vision. For example, Adapt a 100% sustainable range exclusively available at some of the leading customers, sustainable Denim brand exclusively available across our leading customers and PDS is also pleased to announce that we recently launched our organic award-winning British kidswear brand Lilly & Sid in India we have exclusive tie-up with Reliance Retail Fashion market place Ajio.com and supplemented by our own website www.lilly&sid.co.in. It is important to note that these distribution collaborations are primarily on outright basis or preorder basis hence they continue to be in line with our strategy to be asset light.

Now this was about our sourcing business. On the manufacturing side of the business, we are witnessing good traction. We are actively engaging and incentivizing our sourcing verticals to collaborate with the manufacturing facilities to increase the capacity utilizations and also efficiencies. We are already seeing the results in quarter one there is about a 85% topline growth and operating losses accordingly has come down by close to 38% as compared to the same period last year.

I am pleased to share with you that we are running at almost full capacity which is supported by a strong order book and now bringing a factory to the stage of almost running full, we are now very focused on increasing the efficiency levels as well and this combination of running full capacity, driving our manufacturing to higher efficiency levels will start enabling bringing that desired turnaround and I believe that turnaround around of these manufacturing verticals we have a significant impact on the PDS profitability and the return for our stakeholders.

Let me try and elaborate on the above that I have just mentioned. If you see our overall ROCE is about 33% versus the ROCE that we achieved in our sourcing business of 63%. With the anticipated turnaround that we all are working internally in the manufacturing business there could be a considerable upside in the return profile that we can achieve. Further our efforts towards achieving almost 0 to negative working capital is expected to further enhance our matrix. As you may please recall that we have been travelling the journey of 10 days of working capital in FY2020 to about 5 days of working capital on March 2021 and now we are down to two days of working capital on June 2021. So we will keep working in that direction to try and get to our next level goal of making working capital to be 0 and hopefully thereafter keep putting in efforts to bring it to a negative working capital situation.

Having covered the sourcing and the manufacturing verticals allow me to address the third vertical with regards to our capital employed. We have close to 17% of the total capital employed attributable to PDS Venture Tech investments. Our gross capital employed is approximately ₹1,254 Crores and 17% of that which means around ₹214 Crores is towards this third vertical and I would take this opportunity to also talk briefly about this portfolio and its composition.

Around 5% of the overall capital employed is actually towards our treasury investments so it works out to approximately ₹61 Crores, which can be considered as a fund created to mitigate any unforeseen contingencies in future and another 4% which is approximately ₹50 Crores to the total capital employed relates to real estate properties in key locations. We have recently disposed off our property in UK for profit of around ₹41 Crores over the book value at which we have been carrying it and we have similar one such property in Gurgaon in terms of PDS Towers, which we believe is also against a book value of about ₹24 Crores is almost the market value is almost double of that and PDS will continuously keep working on with an initiative to lighten up the capital employed so while this year it has been disposal of UK property and in future at the opportune time (at present PDS occupies about two floors of this property, the balance has been let out) there is one more potential that against the book value of ₹24 Crores that we can potentially realize more than twice of that in the passage of time.

The balance is towards a portfolio focusing on investing in sustainable B2B and D2C businesses. So I will just quickly do a recap of the 17% capital employed I will said 5% is towards treasury investments and 4% is towards real estate and the balance 7% is towards the investing in sustainable B2B and D2C businesses.

We believe these investments give us a better visibility into the changing dynamics of the industry and make us future ready. In fact some of these investments that we made over the last two years or so I am just picking three cases of the portfolio and now from the point at which we invested some of these venture tech investments we have seen second and third round of funding which are at almost 1.9 times of the valuation at which we invested. So there is also apart from the focus on investing in sustainable B2B and D2C we believe with passage of time, there is a potential to get good earnings from this piece of the investment portfolio was well.

We endeavor to continue to operate within asset light balance sheet with stringent controls and working capital leverage ratio and capital employed. The financial discipline that we have put into practice has enabled us to reduce our leverage ratio of net debt to equity from 0.25 to 0.05 and net debt to EBITDA from the 0.86 to about 0.15 over the last one year.

Expansion and operating margins along with the reduction in finance cost have translated into return on equity of 29% in Q1 versus 12% in the same quarter last year. This is also reflected in Q1 FY2022 EPS was about ₹20.7 vis-à-vis ₹32.4 in the full year last year, so Q1 EPS is about ₹20.7 and the full year of ₹32.4 last year.

Friends I believe these are interesting and challenging time for us and the industry. On one hand, we have new opportunities that are unfolding somehow which are driven by the changes in the regulations globally and locally the government initiatives, on the other hand COVID is still very much out there and there are challenges that keep coming in, in the event of lockdowns at times it impact the container availability especially in the eastern part in Bangladesh, Vietnam, so we are continuing to keep a close watch on the situation and as I said COVID is still out there, we got to be cautiously traveling the path. We have been proactively and constantly calibrating our works of working and being agile to meet the most of the landscape that is around us.

I truly believe we as a platform are well-poised to tide over these testing times and we aim to continue to emerge stronger with passage of time. With this I and my team would be very happy to answer any questions that you all may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parth Desai from Hirzel Capital. Please go ahead.

Parth Desai: Thank you for the opportunity. Sir in your presentation, you mentioned that each of your top ten customers they account for less than basically 6% of the topline, one my question is, is this a conscious strategy on your part on PDS' part or is it a strategy that some of these brand employee to not have an overdependence on some of the sourcing players?

Sanjay Jain: On an average, among the top ten customers, we are looking 6% to 7% of our total topline. It is a conscious strategy from PDS side so while we are in pursuit of growth at the same time this is our risk management principles we want to keep our topline well diversified across various customers and so that everything goes well it is good but when things become tougher then we do not have an overdependence on a single customer so therefore this is very much part of a favorable strategy from our side to give us to keep growing.

Parth Desai: Then my second question was on part of the sustainability report that you all have published so one if I think it is a great initiative to actually publish the sustainability report and it is so important for the industry in that there is a statement which says that the target is to achieve 2 billion in revenue over the next five years which translates to roughly 15%, 16% growth from these levels the revenue growth so is that a reasonable estimate over let us say in the next few years?

Sanjay Jain: Yes, I think we are aspiring for that while this year as I mentioned in my opening remarks we are cautious, about 10%, 12% growth rate for the entire year on the whole. Our Q1 achievement is better we will continue to be cautious but to answer your question very specifically on an average a maintainable growth rate of 15% over next five years I think yes it is good.

Parth Desai: That is excellent and can I just squeeze in one more, it is more of a clarification. So you mentioned that there is new gentlemen who have joined the PDS platform, there were two timelines that you have mentioned one was Q3 of FY2022 and then 12 to 18 months so just to clarify you mean that revenues will start flowing in after Q3 FY2022 and then let us say these account become profitable 12 to 18 months down the line or how do we understand this?

Sanjay Jain: Yes, so there are three milestones; first one is as I said from Q3 we should start seeing this contributing while Russell, Wyeth is a recent join, but Eric and Gaurav have been there obviously for in the last four months so therefore to answer your question number one we should see them contributing to the topline of the company from Q3. Number two we should see them being self-sustained on cash between 12 and 18 months that is the second milestone and the third milestone is that they start delivering the kind of return metrics that we expect from our sourcing vertical when it has run its full scale. So that three years we expect them to be in that form and shape.

Parth Desai: I will get back in the queue. Thank you again and best of luck.

Moderator: Thank you. The next question is from the line of Bhakti Thakkar from Investec Capital Services. Please go ahead.

Bhakti Thakkar: Congratulations on the very good results. My question is regarding your expansion plans into home, fashion, and active wear. So I understand that this will be in the existing market, but would you have to on-board new clients for this or is this, a requirement from existing clients and in terms of margin how much accretive it is to your current fashion business?

Sanjay Jain: Sorry pardon me, can you repeat the last part of the question please?

Bhakti Thakkar: It is about margin how much margin accretive it is to the existing fashion line business of yours.

Sanjay Jain: With respect to catering to the UK and Continental Europe market, we would be largely aiming at existing customers but as these gentlemen, for example Eric and Gaurav, especially Eric who is driving the home fashion for us, we have also focused a lot on North American markets so to that extent there is the addition of new customers and that as I responded to one of the questions earlier any addition of customer in the portfolio we do by carefully from an overall risk management perspective but to sum up the first point, UK, Europe likely existing customers, North American new additions and I think with respect to the margin profile what I can say is on an average we kind of growing 50, 60 basis points year-over-year so through a calibrated approach of augmenting our offerings whether by way of the new categories or the brands that I mentioned working along with our retail customers that is how we should see these initiatives on an average contributing to the margins. If you see in our presentation in the last five years of quarter one our margins are actually have gone from about close to 13% to about 16% plus in five years and if that works out approximately 50, 60 basis points year-over-year that is the pursuit which we will be taking forward.

Bhakti Thakkar: The second question that I had was on online fashion sales so we understand that the share of online fashion sales has doubled in the past eight months, do you think this will normalize and in terms of your business, what is the mix for you in terms of clients which are online and which are offline?

Sanjay Jain: In fact to first speak the apparel or fashion industry is general the average penetration of online as a distribution medium, I am speaking that North America even Europe, UK as market seems to be sub 20% or close to 20% and with the COVID it went closer 30% or so.

So it kind of fast forwarded the process of that and we have been actively engaged with our customers. I think many of our customers have been investing into their own online strategy we call it omnichannel from your perspective. So therefore to answer your question we have been actively engaged with them and for example our base in Turkey, our base of manufacturing vendor partners in Turkey enable us to cater to the need of more faster turnaround times, when it comes to meeting the online plans of the customers so we have been trying to participate alongside our existing physical retailers and trying to mirror their overall breakup across physical and digital. At the same time, we have been working with a large ecommerce companies like Amazon and India as well also we have started working with Flipkart and we see it gradually getting momentum as the time passes by.

Bhakti Thakkar: Got it, very clear Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Mukul Agarwal from Param Capital. Please go ahead.

Mukul Agarwal: Congratulations on very good set of numbers as well as very detailed presentation. Thank you for that. My question is more on the manufacturing side, Sanjay you mentioned we are currently operating on 100% capacity did I hear it correctly?

Sanjay Jain: Firstly, thank you for the kind words we keep improving towards our performance and also disclosure towards our investors. Yes, we are at this stage, running 100% capacity in the manufacturing, yes.

Mukul Agarwal: In both the factories Progress as well as the Green one in Bangladesh both the factories?

Sanjay Jain: Yes in both the factories. Yes.

Mukul Agarwal: What is the breakeven timeline Sanjay? What do you envisage like they will stop bleeding and they will start making meaningful profits from when do you see that?

Sanjay Jain: Our internal endeavor or target with which we are working for our two manufacturing factories in Bangladesh. They are named as Green and Progress. Green is for the tops so we anticipate our Green factory to be PBT positive for Q3 and Q4 both, so we are also trying to bring it to PBT positive in the later part of this financial year and Progress the other factory which is for bottoms we are targeting that we will bring it to a PBT breakeven level by the end of Q4. So Q4 end or Q1 next year we should be PBT breakeven and so next year as we start April 2022 our endeavor is that we run the factories with PBT 0 to positive.

Mukul Agarwal: FY2021 what was the losses from both these factories, Sanjay?

Sanjay Jain: We incurred about ₹100 Crore of losses from both these factories last year on an annualized basis and as I said we were aiming as part of our guidance to cut them down on an average to about 50% of last year that is what 50 Crores of loss there for Q1 the loss is 38% down so we feel very positive that a 50% reduction in this year as compared to last year is very much achievable and we hopefully we should be better.

Mukul Agarwal: So FY2023 100 Crores will be added to the EBITDA straight from no losses and whatever positive numbers these factories will throw that will be added further right?

Sanjay Jain: That is right. For sure we would be EBITDA accretive from both these factories, yes.

Mukul Agarwal: Sanjay, can you talk more about our journey towards the aspirational revenue of $2 billion and what could be the impact on the margins and other numbers as we keep growing 15%, which we aspire to grow?

Sanjay Jain: I think, firstly this average 15% growth on an average was a five-year horizon, should emanate number one from we growing in line with the growth of our customers. Of course all of us believe there is immediate pent-up demand as COVID, there has been consolidation that has happened at the retailer's end so for now there are relatively a fewer customers, but more stronger, and doing more business. So, PDS as a good partner should benefit from that trend that is number one. Secondly, as we are launching fast fashion, and we are trying to launch newer categories with the new gentlemen that have come on-board we should aim a larger share of wallet of these customers. That is the second thing that should add on top of it. Thirdly, we are trying to foray into North America. It used to be sub-8% two years back, it is about 11% of the topline today. So, we are gradually increasing a portion of US. So these should lead to, plus the brand initiative working alongside a retail customer. So, these are three or four factors which are making us believe we should be able to travel the journey of growth. Regarding the margins, I think as I was responding to a question earlier that we were five years back at about 13.5% and today we are at about 17% this quarter. So, about 60-70 basis point improvement, we have been achieving. So, we will continue to be cautious into the combined impact of these gross margins level is what we should see. I think we expect to maintain the same trend as we move along in our business primarily driven by our brands, plus I think manufacturing as you might have observed in the first quarter, the growth in manufacturing is more than the growth in the sourcing business, because we are running 100% and on an average the manufacturing business, makes about 35% gross margins and so therefore, as manufacturing increases it is contribution to the overall topline. So that should be the impact, but the third important factor, which is equally important alongside the topline and gross margin journey is we have to keep a focus on maximizing it on capital employed. So, the platform that we have built, we should keep harnessing the potential of that and gradually aim towards the next level of breakeven on net working capital, zero working capital days. So, if you are able to squeeze in a capital employed further, with the improvement in topline, with turnaround of manufacturing, improvement in margins, I think we should be able to generate a good return on capital employed for our stakeholders.

Mukul Agarwal: Sanjay, whatever I am hearing sounds really is very, very exciting to me, but all these things will throw if we are able to achieve even 90% of what we are talking, this will throw huge cash flow in the company. What are the plans like dividend or buyback or anything, any policy as such we have designed for this?

Sanjay Jain: At this stage, our board has adopted a policy to endeavor a 25% payout from the profits of a given year. Of course, there are some conditions attached with respect to keeping in mind the business needs pertinent in future, but to answer your question that is the endeavor that 25% we should keep and therefore we declare our dividend accordingly which got approved by shareholders in mid-July. So this is the endeavor and I think there is a positive future ahead, but we are all in the midst of COVID so at this stage, this is what the Board has considered as appropriate. As we all put the risks of COVID behind, as company starts putting these aspirations into their numbers, we management would recommend to the Board to consider even higher distribution but this is what the Board has adopted as a policy right now.

Mukul Agarwal: Great. Thanks a lot Sanjay. All the best. Thank you very much.

Moderator: Thank you. The next question is from the line of Parth Desai from Hirzel Capital. Please go ahead.

Parth Desai: Thank you for the opportunity again. My question was related to some of the Venture Tech investments and I wanted to understand how let us say the company and the management view these investments? Because as an investor let us say when I see some of these investments, let us say Reflaunt or Yellow Octopus and if I look at their peers that are traded on let us say the US market, they trade for billions of dollars and for example I see there is a company called Reflaunt where PDS has an investment and that works with some of these top brands, so my question is like do you see these as financial investments or strategic and what is the medium term plan with some of these investments?

Sanjay Jain: I think at this stage our humble approach is to deliver our commitments towards sustainability and while to conduct our value chain manufacturing and supply chain increasingly in a sustainability compliant manner is in our hands, but at the same time, as a responsible corporate citizen, to invest and support initiative of third parties, through which not only PDS would benefit but sector on the whole can benefit through their initiatives in the direction of circular economy. So that really is a big motivation for us and that is number one. Secondly, beyond the improvement in the circularity part of the processes we are aiming at these initiatives or these investments to support the sustainable B2B brands and finally as PDS want to cautiously take its D2C strategy ahead so some of these investments are in that direction as well. These are small strategic in nature, to answer your point. For example, the recent investment in Yellow Octopus, so when we are doing business with our customers, when we are positioning ourselves to our retailers, then to our retailers also sustainability is even an important agenda. So, if we demonstrate our commitment, our partnerships, our investments for example in Yellow Octopus, even after the end of season sales, will allow inventory that Yellow Octopus channelizes to the Eastern European part of the world wherein they can be sold at low price points. So, therefore rather than they getting soiled somewhere, having an impact on the environment they can be gainfully used. So they are more strategic in nature and the way I think we look at return on investment from these is a) the investment return from these on a standalone basis but the bigger ROI we want to see is how it impacts our main core business, how we, when we are positioning ourselves for an existing or a potential partnership with the customers, they see our commitment. So now lastly when I said there are two motivations, first is the standalone financial performance and the second is the synergetic to the first point, I hear you, I think, I also mentioned some of our investments are today doing the second round at two times the valuation, so we keep a watch, but whether PDS on the whole in the investment thesis is basically return from these investment, I would not say that. I think, we are cautiously investing, we expect to make returns and they are 7% of the overall gross capital employed so upside, of course potential is there, but that is not how I would say we should all look at PDS three years, four years, five years down the line.

Parth Desai: That is very clear. Then if I may just ask about the manufacturing business, even you clarified that it is operating at 100% right now, so if you could just elaborate on the unit is operating at 100% capacity, why is it let us say still making losses at the EBIT level?

Sanjay Jain: Two things in a sense which drives profitability running the plant full, therefore you are able to amortize the fixed cost which are normally there, and a large part of the fixed cost is there for the full plant, so therefore one is we are able to amortize it. Secondly, the composition of runs that we run though on our lines in our machines has a bearing on the efficiency levels. So, if you have larger runs, then the efficiency is better and the time gap between the shift is very, very low and as a result then we get more throughput, more productivity, more output from a given factory, so in the journey to turn around and make money your first step always is to run full and as you run full, you gradually start driving your mix towards more large runs. So, therefore today where we are is we are running nearly full and as we run nearly full then we have the mix as well. So, that is what I said about improving the efficiency level. Therefore, to answer your question, it is with combination of the two, which eventually leads to profitability.

Parth Desai: That is very fascinating. So, you are trying to say that let us say if a factory is running, let us say shirts, and if it is able to manufacture shirts in large quantities that is one of the drivers of profitability in addition to capacity of course.

Sanjay Jain: Yes, with the larger lots you are running it up so, your EPM improves and in the next, it will start getting better.

Parth Desai: Interesting. Thank you so much.

Moderator: Thank you. The next question is from the line of Hemant Shah from Edha Wealth. Please go ahead.

Hemant Shah: Congratulations for fantastic numbers. The effects are seen visible in the profitability and sales also. I actually have one question Sanjay. You said, your top customers are contributing not more than 8% to 10%, right?

Sanjay Jain: Yes, Hemant on an average it is about 6% to 7%.

Hemant Shah: Would you mind naming top 10 customers, just for our understanding and just for records, nothing else?

Sanjay Jain: I think if I got your attention to the investor release that we have made, we have captured name of the clients who are large customers, to name a few, for example, Tesco is a large customer, Next is a larger customer, Sainsbury is a large customer, ASDA, Primark, is another customer, Matalan is a large customer.

Hemant Shah: So, these are 6%, right?

Sanjay Jain: I am just responding to your question on the top which are 6% to 7%, but these are some of the names, which would be in the bracket wherein we tell you that on an average it is 6% to 7%.

Hemant Shah: Perfect. That is it from my side. All the best Sanjay. Thank you.

Moderator: Thank you. The next question is from the line of Karan Mehta from Investec. Please go ahead.

Karan Mehta: Congratulations on your result. This is Karan. I just had one question. This is regarding the sourcing business. I just wanted to understand how does the pipeline look like with the new client addition that we are already aware about and are in the process of on-boarding with PDS?

Sanjay Jain: Karan, as I mentioned, this is and we know COVID is still around. Earlier it was more in the western part of the world, in UK, Europe and US, these markets with vaccinations are in a better shape, to open up, so there is good traction from that part of the world. Now the COVID is more rampant now in the eastern part of the world, India has its own second wave, Bangladesh. You know Sri Lanka we have plant, so we are cautious that is why we have been maintaining that we have been 10%, 12% on an average this year. Our current order book in hand to answer your question as I got it right is very much in place for us to achieve this growth rate on an average for the entire year. Another factor, I wanted to add, Karan we take the opportunity to answer your question, ours is a seasonal business, so now every quarter should get compared with the previous corresponding quarter of this last year, but some of these quarters last few quarters have seen disruptions. You know the Q1 last year was a significant adverse impact of COVID and as markets open up, in July we got some tenders. There was a pent-up demand, so there was a huge demand last year in Q2 with some markets, they were into COVID in October and November and December again they opened up, so on an average that is where we made a humble attempt to compare or give a five-year horizon. So, to sum up, to answer to your question, we believe the traction is good, you know the order books are robust to achieve the overall growth rate that I mentioned for this year and this would be supplemented with additional efforts that we are making in home fashion category, making to add in more customers or do more business with existing customers, we only had a small presence in North America, in the fast fashion spaces and all.

Karan Mehta: Thank you Sir. That was very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Sunny from Investec. Please go ahead.

Sunny: My question is around your expansion. So, geography expansion plans into US, Australia, New Zealand, and other geographies, are these typically high growth market for the company and what will be your mix maybe three years down the line? I think it is a high concentration business and so I want to understand how is it let us say three to five years down the line with regard to expansion plan?

Sanjay Jain: I think at present a dominant part of the sale comes from different continents. We would continue to be focused markets for us and at present they contribute about 83% of the topline. We keep staying focused. We will keep aiming at increasing the present size of the business with these customers, but our foray into North America, especially the US should see a very high growth rate, because our present volume of business was a low base, so from that perspective, we should see a good growth year-over-year coming from that. To answer the second part of your question what we are aiming at in about three years from now that sales from North America should be approximately 20% of our overall topline portfolio.

Sunny: Thank you for that. Just had a question, what about Asia. Are you looking up at Asia, is Asia giving a good potential, from a five-year point of view, and in terms of geographies that have opened up, are you seeing a lot of pent-up demand? What has been the initial kind of sense in terms of pent-up demand, whether you are seeing or not really?

Sanjay Jain: I think India in Asia is an important market at present the size of the market is relatively small as compared to the current markets that we are in. India is seen to be the fastest growing market in terms of apparel consumption. So, we are focused on these markets as well. We had also seen the emergence of large both online and offline retail companies in Reliance, Flipkart, so we are doing business with these customers. In fact, our factories are supplying to Reliance Retail and our business verticals are engaged with Flipkart as well. So, they would cautiously keep taking it ahead, the relationships are there, and we are going to focus more on India, but at present Asia and Middle East is about 3% more of our overall topline. So it may be closer to about 5%, 7% in about three years from now. So, we have our eyes and ears open and we also have long drawn presence in relationships.

Sunny: Last question from my end, in terms of the sustainable products, they are high on margin products and certainly what kind of mix are we looking at?

Sanjay Jain: Yes, sustainable products are on an average whether if we have in our view the customers have a separate franchise for the products and therefore they are willing to pay a price for this. So, to answer your second part, we anticipate this to be averaging somewhere around 5% of our overall topline.

Sunny: And what will be the growth differential? What will be the growth differential between the **sustainable products** and the other products?

Sanjay Jain: Well, growth of course sustainable would see high G factor, growth factor, because the base is small from which they would be growing. So, what is important is that where do we see them stabilizing? I think, we should see stabilizing in a single digit number, somewhere 5% plus is where we see them stabilizing. Of course the growth would be higher because the base is low. One more aspect to add, I think in fact sustainability actually on one hand, while I had mentioned about sustainable brands, contributing about 5% plus but somewhere sustainability is linked to the entire topline of PDS because as I had been mentioning and we have also covered in investor release that every action that is linked to our manufacturing, our supply chain, our effort is to try and improve from the linearity to circularity. So, therefore on the whole, it is our aspiration, 100% of what we sell to our customers is gotten from a sustainable process. So, my response was more from the perspective of specific brands like Lily & Sid and similar such brands that we are talking about.

Sunny: Thank you for your time.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Sanjay Jain for closing comments.

Sanjay Jain: Well, ladies and gentlemen this was our first ever earnings call and we thank you for your participation and wishing you all good evening ahead and a good weekend. Thank you.

Moderator: Thank you. On behalf of Investec Capital Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.