PDS/SE/2022-23/163 August 9, 2022

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 - INE111Q01013

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

Dear Sir/ Madam,

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation letter dated July 29, 2022, regarding Conference Call held on Tuesday, August 2, 2022 at 4:00 PM (IST) to discuss Company's Q1-FY23 Financial Results, please find enclosed herewith the transcript of the aforesaid Conference Call for your kind reference.

The link to access the said transcript is mentioned hereinbelow:
https://www.pdsmultinational.com/investors/financial_reports/#investor-updates-and-call-transcripts

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

Thanking you,

Yours faithfully,
for PDS Limited
(Erstwhile PDS Multinational Fashions Limited)

PDS Limited

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

Encl.: As Above

"PDS Limited

Q1 FY2023 Earnings Conference Call"

August 02, 2022

ANALYST: **MR. SANDEEP KUMAR AGARWAL - EDELWEISS SECURITIES LIMITED**

MANAGEMENT: **MR. PALLAK SETH – VICE CHAIRMAN - PDS LIMITED**
MR. SANJAY JAIN - GROUP CHIEF EXECUTIVE OFFICER - PDS LIMITED
MR. ASHISH GUPTA – GROUP CHIEF FINANCIAL OFFICER - PDS LIMITED
MS. REENAH JOSEPH – HEAD CORPORATE FINANCE, M&A & CHIEF INVESTOR RELATIONS - PDS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the PDS Ltd's Q1 FY2023 Earnings Conference Call hosted by Edelweiss Securities Limited. 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. I now hand the conference over to Mr. Sandeep Kumar Agarwal from Edelweiss Securities Limited. Thank you and over to you Sir!

Sandeep Agarwal: Thank you Lizann. Good morning, good afternoon, and good evening everyone based on the geographies you are logging in. On behalf of Edelweiss Securities I welcome you all to PDS Limited's Q1 FY2023 earnings call. We have with us today Mr. Pallak Seth – Vice Chairman of PDS Limited, we have Mr. Sanjay Jain - Group CEO; Mr. Ashish Gupta – Group CFO; and Ms. Reenah Joseph – Head Corporate Finance, M&A & Chief IR. Before I hand over the floor to Pallak, I would like to highlight that the safe harbor statement on the second slide of the presentation is assumed to be read and understood. With this Pallak over to you! Thank you.

Pallak Seth: Sanjay will be giving the opening speech.

Sanjay Jain: Very warm greetings to all of you who have joined us on this call today and a very warm welcome to our Q1 FY2023 earnings call. The Q1 investor update and the financial results are available on the company website and the stock exchanges. I would just like to draw your attention to the disclaimer that the discussions today may have forward-looking statements subject to certain risks and other factors that could cause actual results to differ from those contemplated by the relevant forward-looking statements. We are pleased to share that we have kick-started the first quarter of the financial year with robust growth of 44% reporting a topline of ₹2,340 Crores. This was accompanied by a gross margin of 15.9% and if you compare it sequentially with the previous fourth quarter of last year it is actually a 78-basis point improvement. We reported an EBITDA of ₹73 Crores during this quarter which has translated into a growth of 113% over the same quarter last year. The EBITDA margin of the company increased by 102 basis points from 2.1% last year to 3.1% this year. This was driven by operating efficiencies wherein the employee expense declined from 8.3% of topline in Q1 to 7.5% this year and other expenses declined from 6.9% of topline last year to 5.2%.

In Q1 of FY2022 which is the quarter of last year the company also reported a gain from the sale of real estate asset in the UK which led to a gain of ₹41 Crores. If we adjust for this in the last year's quarter so that we try and do a comparable operating profit to operating profit then our EBIT reported a 128% growth to ₹57 Crores with 2.4% margins versus 1.5% margins in Q1 FY22, and apart from the real estate monetization that happened in the last year there are also other two items which I would like to explain so that will facilitate you having a normalized PBT assessment, what has been reported on the whole list in the Q1 last year company made ₹62 Crores PBT and in Q1 this year company made a ₹47 Crores PBT, but there is as I said in the last year ₹62 there is an element of ₹41 Crores gain from the sale of real estate asset that is the first point that needs to be normalized.

Last year there was a ₹2 Crores ESOP cost in the first quarter this year there is an ESOP cost of ₹7 Crores in the first quarter. As you know the company has embarked on an ESOP plan and we believe the entire senior management across all our functions and verticals that we wanted to incentivize has been taken care of, we do not anticipate any larger meaningful ESOP allocations to happen, barring the ones in the normal course of business, but basis the ESOPs allocated there is ₹7 Crores charge this year versus ₹2 Crores last year. Company is also being investing into new businesses and we had ₹6 Crores investment in the new business in the first quarter last year and this year we have doubled up to ₹12 Crores in the first quarter and as we know in our business, unlike any other company, the new ventures or new investments are on the balance sheet in our case they are expensed out from the P&L. So if you allow me to adjust for the real estate gain, if you allow me to normalize for the ESOP cost and the loss on new business investments then the normalized PBT of the company was ₹29 Crores last year and the normalized PBT of the company is ₹66 Crores this year so from a 1.8% PBT margin we have moved to 2.8% PBT margin and the normalized PBT has actually multiplied 2.3 times from ₹29 to ₹66 Crores.

That was for our results on the whole now if you allow me to get into the specific segments. Our sourcing segment which accounts for 95% of our topline clocked in 42% growth compared to the same quarter last year and we achieved a topline of ₹2,216 Crores. Our sourcing business reported an EBIT of ₹60 Crores with a 59% growth as compared to the Q1 of last year and ROCE of 42%. In the third quarter of FY2022 friends when we got to communicate with our investor through our investor release, we had mentioned about PDS has onboarded new business teams, the potential to generate $300 million in sales, and a 4% PBT margin in three years from the timeframe that was our new investment into the part of the sourcing business. In the three-year journey, FY2023 was our first year and we have set ourselves a target that we would get to 30% of $300 million in year one and we are pleased to share that our new vertical reported topline growth of six times. They were at ₹23 Crores in Q1 last year and they are now at ₹141 Crores in Q1 of this year, so this is the Q1 achievement and with the visibility that we have in the coming few quarters we believe we are on track to meet 30% of the goal that we had set for ourselves in terms of contribution from new businesses. Further PBT losses attributable to the segment which is the investment in new verticals were at 27% of the top line in the first quarter of last year when I say 27%- of the new business topline and as the sales are increasing the losses/investment in the new vertical is now 8.6% of the top line. So, this trend of 27% to 8.6% is also a trend towards gradually getting into a breakeven situation from our new vertical investment, and then it starts meaningfully contributing to our aspiration of deriving 4% PBT in three years.

Now moving on to our manufacturing segment. This segment reported a growth of 78% with a topline of ₹169 Crores in Q1 this year as compared to ₹95 Crores in Q1 last year. The segment turned profitable in Q4 of last year and continues its profitable journey with a reported PAT margin of 1.6% in the current quarter. We believe now the manufacturing business will contribute to the company's overall return profile. Given our order book in hand, given our engagement with the customers, we feel positive that the business will continue to make money for all the quarters to come.

From a geographical footprint perspective, our US business has been continuing on a growth trajectory and it constituted about 18% of the top line in the current quarter as compared to 11% last year.

During this quarter our net debt increased by about ₹77 Crores in Q1 when the net working capital days were at 3 days. For the same period on June 2021 last year, the working capital days were two days a slight increase of one day this is a seasonal business as you know the one day increase from two days to three days is mainly on account of, on one hand, we have growth of 44% we have also been trying to avail as much possibility of offering early payment discounts to our vendors and therefore while this benefit goes to a gross margin but there is an increased finance cost and this quarter end also coincided with Eid holidays in the first week of July and whenever there is an Eid as I said seasonality of the business lead to an accelerated payout to vendors as well. So these are some of the reasons the company would continue to remain focused barring the seasonality of the quarters we continue to remain focused on operating nil or negative working capital.

The company because of the operating performance that I just summarized for you delivered a 30% return on capital employed versus 26% in Q1 of last year when I am saying 26% this is normalized from the core operations so as compared to core operation there is a 4% increase in terms of return on capital employed and the return on equity of the company is 28% in the first quarter this year versus 22% on the normalized earnings of last year first quarter. While our efforts led to monetization of the real estate asset in the first quarter of last year company believes there is potential for further monetization of one or two assets in the ensuing near future our efforts are continuing while this is a nonoperational nonrecurring but as part of our balance sheet optimization there is an opportunity as we will continue to remain focused on that as well and the financial position continues to be strong providing a strong backbone for the company to grow. Our net debt to EBITDA stands at about 0.3x.

Now moving onto certain corporate actions, the shareholders of the company have approved a stock split in the ratio of five shares to every one equity share and a final dividend of ₹.23.85 per share for the financial year ended March 31, 2022, in the AGM of the company held on July 29, 2022. The record date of the stock split will be August 29, 2022, and we believe basis this planning being done the shares should tentatively get credited by the end of October 2022, subject to required regulatory approvals.

Lastly, the various factors that have an impact on our business from rising cost inflation, and increased freight cost to macroeconomic and geopolitical factors impacting both developed markets and also the developing markets. We believe that we have a robust platform and we have been well poised to face these challenging times by continuously identifying opportunities that are around us in the ecosystem. We launched sourcing as a service, a customized and exclusive service offering, and have already gained good tractions with marquee retailers being onboarded with long-term contracts., At present, the contracts that we have in hand and the active engagement that we have with our customers should enable us to handle for these customers incremental revenue of about ₹8,000 Crores, while we are providing this as a service to our customers so what we get to take in our P&L is a service charge but as an important partner to our customers besides the top line of the company in the normal course from design as a service, brands and manufacturing this additional activity that we strategically added in our portfolio have already enabled the company locked in or very close to about ₹8,000 Crores of the annual volume of business handling for our customers and given a platform-based approach and agile business model we would always be geared up to cater to the diversified need of the customers and hope to garner more traction with this new service offering. And while we believe in the short-term there are some headwinds but the commodity input prices, the freights have been kind of softening a bit, and this quarter in our journey that we had shared with you our four-to-five-year journey wherein we aspired to be a $2.5 billion enterprise from a $1.2 billion we believe this quarter has been a stepping stone to our four-to-five-year journey and now our Vice Chairman, Mr. Pallak Seth and me along with our CFO and Reenah would be happy to take any questions you may have, please.

Pallak Seth: Thank you Sanjay.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Chinmaya Bhargava from LSSB Capital. Please go ahead.

Chinmaya Bhargava: Hi! Thank you for taking my question. I have a few questions. The first is on our US expansion it is very impressive seeing that it is almost about 18% of our pie now given that a few years ago it was in the low single digits so I know we got specific people to spearhead our expansion here, but could you tell me more about what led to our success?

Pallak Seth: There is a big migration of US business out of China at this stage. Most of the retailers are looking at the China Plus One strategy and PDS has large strength of manufacturing, and sourcing in various regions like Bangladesh, India, Turkey, and Egypt so a lot of that business migration from China is helping us to get the business in these geographies where we have a lot of strength plus secondly also we have identified and hired some very key resources in the US, we have got relationships with large most professional retailers in the US like Walmart, Kohl's, Target, Hanes, so some of those management teams joined us around 6 to 12 months back are showing great results, so the structural shift in business moving from China to new regions and PDS engaging with these people in the US on their doorstep has caused the business to increase and we continue to grow in the years to come.

Chinmaya Bhargava: My question on our drives in this China Plus One and the management teams is that are we winning market share from other sourcing companies or is it still the case where our major competition is the in-house sourcing teams of all of the clients that we serve, could you tell me how much of the landscape is in-house and how much of it is currently outsourced?

Pallak Seth: I think most of the large retailers are setting up the offices earlier in China and Hong Kong but for them to operate out of regions like Bangladesh and even Egypt and Turkey and some of the other markets like Sri Lanka where we have a large presence for US business it is strategically not in their intent and also we do not culturally understand those markets as well as their past established relationship with China which is going back 20- 25 years so when they are looking at new geographies they are trying to partner with likes of PDS and very few companies like us exist globally because of which we are finding them coming to us and partnering with us to set up manufacturing and sourcing in these regions.

Chinmaya Bhargava: Has there been a large vacuum after Li & Fung the various issues that they have faced in the last few years?

Pallak Seth: Yes, there is a large vacuum because the traditional sourcing companies globally were based out of Hong Kong like Li & Fung, William E. Connor, Newtimes some of these, so culturally they are very aligned to China and Vietnam region but globally other parts of the world it is not easy for them to operate and also have the right relationship with the vendors and the management team to bring in the right people in other markets outside China and Vietnam so their PDS has emerged as one of the strongest players in the industry which are partnering with the best retailers to give them transparency and the right supply chain and working with them closely. So, there is a big vacuum gap in the current landscape of companies providing the services to the large retailers who were trying to migrate the business out of China because of the China plus One strategy.

Chinmaya Bhargava: Our advantage is that your presence in these geographies that they are not in?

Pallak Seth: Yes, present in the geographies long time with the established route for many years so that is definitely helping us. Plus we are also starting strategic relationships as Sanjay had mentioned we have started a new business stream in PDS called sourcing as a service and that business stream will basically act as a retailers' own office in these geographies so we have signed with Hanes brands around six months back now and we have started seeing great results so there is a big migration of business happening from China into countries like Bangladesh where we have opened an exclusive office for the retailers and all the business of the retailers in that region will go through that office.

Chinmaya Bhargava: Am I correct in assuming that this helps them also in terms of compliance that they have everything in one place?

Pallak Seth: Yes, so the reason these retailers want to partner with PDS is that they believe that our governance standards on environmental, social, and also overall corporate governance is in line with the big retailers around the world. If you see it is predominantly PDS customer base are FTSE 100, S&P 500, DAX 30 retail business, so these companies have high governance standard, high compliance standard and they trust that company like PDS which is global in nature have been established for many years it is a professional player in the global fashion supply chain industry is in line with what they would expect themselves as well. So we believe that if they are passing their supply chain to PDS their brand risk reputation is being managed as well if not better than them trying to do it themselves. So every retailer wants a financially stable partner to form an ESG and honestly very few companies with our global size can exist today because of this we are getting huge traction. Another big retailer in the US is Kohl's they wanted to set up an operation in Bangladesh to challenge Li & Fung's operation so PDS has chosen as a second partner so very quickly our business as soon as we established this office we would be more than $50, $60 million within a span of less than a year which is going to continue to grow in the next couple of years.

Chinmaya Bhargava: So, we should be expecting more wins like this. One last question from my side Mr. Pallak I have heard interviews of yours from the past you spoke about how during periods of headwinds particularly in 2008 for example PDS emerged as a stronger winning business from other companies that went bankrupt or lost market share so even though we are seeing headwinds currently in possibly in the second half of 2022 is there any difference what strategies have we taken on now after our learnings over the last decade to capture more market share?

Pallak Seth: I think PDS is in a very unique position so the consolidation happening in the industry is really benefiting us and if you see already in our first Q1 results you see the big growth that has happened so we see to a certain extent that trend continuing because some of the large agency deals we are discussing with retailers on sourcing as a service has also big traction on design-led sourcing business where a lot of small-medium size factories across Asia are struggling on working capital to finance the goods themselves. The retailers have the confidence companies like PDS is on their doorsteps providing them design, providing them service, and also partnering with the right factories in Asia, providing working capital to those factories, with this kind of unique formula is not existing in our industry overall so for large retailers we are becoming a global solution one stop shop from design till delivery and with full ESG compliance and governance and large working capital limits with the large bank across Asia and all that is leading to consolidation and growth from typically whenever recession happens PDS ends up doubling in size in the next two to three years this is what we saw in 2008 as a trend.

Chinmaya Bhargava: Thank you so much for taking my questions I will get back in the queue.

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

Apoorva Bahadur: Hi! Sir, thank you for the opportunity, and congratulations on a very strong set of numbers. Sir wanted to understand I think in last quarter when we spoke you had highlighted that there would be margin headwinds given the global commodity and the current situation what is your take now do you see the headwinds to continue in the current quarter of Q2, Q3 as well or is the situation improving now?

Pallak Seth: I think there are two things, one, yes there were margin headwinds because of commodity price increases especially in cotton, polyester, and obviously energy but the key in our industry is about gaining market share and getting more important to the retailers and becoming more aligned to their long-term strategy. When headwinds come, a lot of small-medium size companies are not able to handle the pressure and will fall by the wayside, but

PDS being a company that is global in scale and size and also has a financial ability to withstand short-term pressures, retailers recognized this very well. They know that in these challenging times a lot of other companies lot of other suppliers they are dealing with probably will not be able to sustain or even deliver the goods in these times, so our strategy was very clear we should continue to align closer with the retailers, understand their pain points and become closer and make sure that we are able to solve them that is why we are seeing big growth in the whole market share that we are gaining. On the other side commodity prices are cyclical so we have already seen softening of a lot of commodity prices with some interest rate increases, we have seen cotton prices reduced a lot and energy prices have also started slowly coming down, and also there is a big currency devaluation that has happened in a lot of markets where we export for example Sri Lanka, Bangladesh, even India there is currently devaluation happening. So, we feel that with the increased market share and large turnover that we have gained plus commodity prices and all these currency devaluations coming together our margins should start improving in the second part of the year. The worse thing would have been that if we have lost this and led business go up which was clearly not the intent so we gave clear instructions to all our companies, we have partnered with the retailers, think long-term, bring in as much business as possible and then this temporary phenomena will go and we will emerge stronger with a much bigger order book plus the ability to get back margins.

Apoorva Bahadur: I think you briefly touched upon the next question as well which I had in mind and that is on the demand situation for the end market, so are you seeing any impact of these headwinds on demand, especially in Europe I think because as much more impacted due to the energy and commodity inflation?

Pallak Seth: I would answer this question in two ways. One is the US retailers are normally buying longer cycle they are buying almost goods 12 months in advance so their forecast is obviously done on the demand so they are seeing some COVID times and because they have already placed large commitments 12 months in advance they had to get out of those commitments and buy less for the next few months. Whereas on the European side retailers are used to buying on a four-month cycle so they were able to adjust themselves and they did not have too many cancelations and push back like some of the large American retailers had to do globally because of the lifecycle of product and order placement these people do differently that is one point. The second point is also on the whole cycle of pricing, at the end of the day, we feel that we are in a strong position to withstand this pressure and work with the retailers and provide them the service that they need on this side.

Apoorva Bahadur: Sir you said that US retailers specifically planned 12 months in advance so wanted to understand the cluster of the contracts do we fix the prices at the beginning of the year or is there any scope for renegotiation in case the commodity prices rise up.

Pallak Seth: So normally with the retailers especially with the US they are fixing the prices but if there is a big adjustment in cotton then the suppliers are normally going back like this time happened and getting up charges as required. Most of the retailers are accommodating if there is a situation which is going to impact as a one-off situation.

Apoorva Bahadur: We are not seeing any demand hit in Europe especially?

Pallak Seth: No we are not seeing much demand hit we are seeing consolidation happening because of which retailers are trying to work closer with us and it is a slide to safety whenever uncertain times happened there is a slide to safety that is helping us plus secondly also one of the important points is PDS customer base is a lot of the supermarkets and the discounters around Europe so these guys typically in a recession people are trading down and that helps us to even gain more market share and business from the retailers. The demand hit is mostly coming in the middle segment of the market and some online players so luckily our business with the middle segment has not been there for last many years, we focus on the discounts and the supermarkets which are the large S&P 500, FTSE 100, DAX 30 companies so typically in a recession people trade down and the discounters' sales improve and that definitely has a positive impact on PDS overall.

Apoorva Bahadur: This is very insightful you basically touched upon again on our customers being largely departmental stores so would you like to share the ASP of our apparel that we source typical average selling price?

Pallak Seth: I think our typical average selling price is around $5 between $4.5 to $5 FOB, woven garments are much higher, jersey garments is much lower but obviously we do a lot of daily wear commodities, we do socks, we are multiproduct company so I think average selling price across categories will be different so we do jackets and outerwear which could be $25, $30, we do knitwear which is $10- $15, woven bottoms- $8- $9, woven jersey- $3 and baby body suit, night suit will be of $1.50 kind of pricing, so it is spread across the board it has been $4 to $5 will be the average.

Apoorva Bahadur: I think this is great. Sir just one last question if I may and this is on I think we have touched up on the contribution of new business with topline I have missed the number I think it was ₹141 Crores now versus if I am not wrong ₹39 Crores earlier?

Sanjay Jain: ₹141 Crores in the first quarter this year versus ₹23 Crores in the corresponding quarter of last year it has actually grown nearly by six times in terms of sales in INR crores.

Apoorva Bahadur: What was that contribution from our new businesses of Hanes and s.Oliver?

Sanjay Jain: Hanes is beginning to contribute from this quarter so as of now it is not a very significant contribution. I think as Q2, and Q3 unfold we should get more but I think the important thing here is for Hanes it is a service charge that we are recovering while on my sourcing design-led service business, we get to book entire FOB sales with an average 15% to 16% gross margin, in this business, we would be getting a service charge and s.Oliver wherein the first year volume was expected at $30 million and due to the journey of $60 that we are foreseeing in three years, we had locked in a run rate of $10 million as of now in the last four months. So we are on track to do billing of $30 million in this entire year the last three months rather than the last four months because when we signed the contract it actually became active from February end of 2022 so we have clocked in about $10 million of sales on s.Oliver.

Apoorva Bahadur: Great Sir thanks a lot I will get back in the queue if I have more queries. Thank you so much.

Moderator: Thank you. The next question is from the line of Dhruv Bheda from Jay Ram Stock Brokers. Please go ahead.

Dhruv Bheda: Thank you for taking my question. Can you just throw some light on what kind of arrangement this Poetic Brands has with Forever 21 and how will it affect or how will it benefit PDS as a whole and what are the risks associated with this partnership?

Pallak Seth: Basically Forever 21 there is a master licensee in the US with Authentic Brands Group, and they were searching for a partner for continental Europe and the UK so PDS has become that, one of our subsidiaries Poetic Brands has become a master franchisee license holder for Forever 21. So, our strategy was some online sales but predominantly selling through our wholesale channel which is going to be 90% pre-sold with the large retailers we work with. So, we have basically got the brand in hand and then we talk to some of our large retail partners and look at their appetite that if PDS subsidiary was holding this brand what would be their interest to buy goods from us under that label for them. So, looking at the whole positive feedback we decided to take the brand agency for Europe and UK. We see very low downside risk because we are not taking much inventory there but on the other side with these key retail partners where we are already sourcing private label products, we will be also offering a branded service where our gross margins will be much higher.

Dhruv Bheda: Can you just throw some light on the risks and what kind of revenue are you expecting in this segment like specifically with Forever 21 over the period of say four to five years so if possible if you can just throw in a number?

Pallak Seth: There will be two risks in this business, one is inventory risk which as I said we are not going to be taking very minimal selling through online predominantly will be through a presold wholesale channel and the second risk is minimum royalty that we have to pay to Forever 21 master license holder in the US of around $2 million over five years. So, it is quite a small royalty considering the grand theme of things plus the back-to-back almost kind of commitments we have from all our retail partners. At the end of the day, I would say the risk is quite limited it is no large minimum royalty guarantee plus we are not carrying any inventory at this stage. The revenue potential of this to the royalty is around $2 million is around 10% in this kind of deal so we need to do $20 million sales over five years not annualized, aggregated over five years $20 million sales pay the minimum royalty, but we are expecting these double or triple of that.

Dhruv Bheda: Thank you so much.

Moderator: Thank you. The next question is from the line of Vineet Jain an individual investor. Please go ahead.

Vineet Jain: Mine is more a request than a question actually and the management will anyway giving us with answering all the questions and sharing details about the business so far. I wanted to request if it would be possible for you guys to share some more granular information in the important subsidiary maybe the top eight or ten in terms of contributions to topline because when we look at the performance of the different subsidiaries there seem to be wide variations and some of them have gross margins as high as 40%-45% whereas there are others with single digit so if it would be possible for the management to share some broad matrices on important subsidiaries maybe the top 30% or 40% in terms of contribution to topline on a quarterly basis that would be wonderful?

Sanjay Jain: I think the point is well taken, we will on a half-yearly basis try and facilitate for our investors' further insight into the top 10 verticals of PDS. At this stage to answer your question we have a top line of around $1.2 billion last year, the top 10 verticals contributed to 76% of the top line and almost the entire PBT. When I say it is reported PBT which means that the smaller businesses whose profit and my investment that went into new businesses got neutralized but net-net 76% of the top line of the company came in from our top 10 verticals like Poeticgem, Design Arc, Simple Approach, Techno, Norlanka, but I have noted your data request and we will facilitate on a six monthly basis of further insight into our top 10 verticals in terms of sales and in terms of the contribution to the overall profit of the company as well.

Vineet Jain: Thank you very much.

Moderator: Thank you. The next question is from the line of Chirag Jain an individual investor. Please go ahead.

Chirag Jain: Firstly, I had some questions on the venture capital and investments that we do. So firstly, do we have a dedicated team for which venture capital investments that we do?

Sanjay Jain: The answer is yes; we do have a dedicated team who has got no allocation of resources for the day-to-day operations and is fully dedicated resource. The answer is yes, we have a team.

Chirag Jain: Also further on that so what parameter what industry do we have in mind while investing in the venture capital investments that we do?

Pallak Seth: Basically, today's gain is any industry or any business to succeed we have to bring the ecosystem so one we have to get a platform which PDS already has a platform because of this we can onboard so many businesses, second, we have to be in the ecosystem of all the innovation disruption happening. The PDS ventures was set up five years ago with the view that we work with the top universities around the world like Harvard, Stanford, MIT, Cambridge, Oxford, and some of the leading universities in India and other parts of Asia and we see what is the innovation coming out of there and our entire focus is around retail tech, fashion tech, some direct to consumer brands who have sustainability focus and business around sustainability and circularity in fashion and new raw material research. So, businesses coming with these top universities we are normally investing with them at a key stage, but we are partnering with retailers who we feel will back these ventures and other global Tier-1 retailers. So that is how we are basically going as a strategic investor in these five fields with businesses coming from some of the top universities around the world. This is a big reason why we see a lot of the big retailers want to further partner based business with PDS because the typical vendor today is struggling to survive, struggling to take care of even supplying the goods whereas a company like PDS global in nature having large working capital limits with the top brands, having a very strong ESG focus, plus a venture arm on feeding innovation and newness and a lot of sticking points for the retailers to migrate business and work with us rather than the factory in Middle of Asia somewhere or a small sourcing company with a single location.

Chirag Jain: I understand that so is it be possible for you to give some kind of color that investment that we do because we have always or you have already given guidance of 6% to 7% of capital employed being invested into that so if you can give a brief about it in the presentations provided by you it would be much better it is a request from my side, also can you provide some update on Sri Lankan exposure that we had?

Pallak Seth: From the venture, we can provide, we have an internal presentation that we pitch to our customers all the time so we can share that with the investor community at the right time if it is allowed as per SEBI. The second thing is on the whole Sri Lankan exposure I think overall it is a very sad situation for the country but possibly for a group like PDS where most of our banking is done out of Hong Kong and part of it from Dubai is actually become an advantage because at the end of the day most of the factories in Sri Lanka banking with local banks having a very difficult time opening raw material LCs to import goods from China, India and other parts of the world because the banking is in big crisis but the PDS kind of business most of our banking 95% or plus is running out of Hong Kong so the retailers are seeing it is a great advantage that if they are migrating business to PDS for Sri Lanka manufacturing raw materials are being able to pay on time and goods delivered from Sri Lanka on time. Secondly, lot of small-medium size factories are now coming to PDS and saying can you please take over capacities we are not able to work directly with the retailers because of our financial constraints, Norlanka which is a PDS subsidiary in Sri Lanka finance the business and take on the order book and even work together with us to manage their supply. So, we are actually going to budget growth in Sri Lanka this year compared to our last year's budget.

Chirag Jain: Can I squeeze in one if I may, so I had last question was on my supply chain issues so do we see resolving by this quarter or next financial year and what is the update?

Pallak Seth: I think a lot of it depends on macroeconomic challenges that we are seeing I mean it is difficult to judge but if any company globally is in a position to manage the supply chain challenges PDS is probably best placed.

Chirag Jain: Thanks that is it from my side I will join the queue.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Good evening, Pallak thanks for the opportunity, good evening SanjayJi. I have three questions the first question is that you mentioned that you have a very strong order book for sourcing business if you can give some color what is it that and how long it is going to be serviced?

Sanjay Jain: We had at the beginning of the year foreseen a 12% to 15% sales growth as a guidance for the entire year. This was the basis of our engagement with the customers, the basis of our actions, basis of our active engagement as Pallak answered as part of one of the questions in terms of active engagement, we have managed to grow 44%. We believe the overall numbers that we are foreseeing are Q2, and Q3 are well-poised basis the orders in hand and engagement with the customers with a strong upside to the growth traction. Typically from a sourcing business at this stage of the year when we talk about which is in say August early we would have 80% to 90% plus of the entire year budgets of all our verticals having totally booked so, therefore, the order book is strong, we are feeling very, very confident to maintain and meet our overall guidance for the entire year notwithstanding the 44% growth I am still a little bit cautious because of the overall geopolitical situations. Order book in hand, our engagement we are well placed and for our factories which typically are about 6% to 7% of topline we are for Q2 100% booked in terms of capacity and Q3 we already have firm orders upwards of 75% and in about a month's time we should be able to lock in, the Q3 100% as well, so we are in good shape for now in terms of order book and engagement with the customers.

Shirish Pardeshi: That is really helpful. Just one followup this order book what we are having is enough that we can supply within our factories or we will have to go outside?

Sanjay Jain: When I mentioned, the factory order book then I am talking about two Bangladesh factories of ours which contribute to 6%, and 7% topline and we are very cautious that we do not over book so therefore our endeavors to take orders that we can service from our factory Green and Progress. For the sourcing business order book that I mentioned that we would be serving through our 600 plus vendors network across the globe and as we have clarified earlier in the previous conversations every vendor that is on-boarded is through a rigorous process and it is also with an approval a prior approval of the customer to whom we would be supplying with the factory. So, there is a robust process, pre-approved by the customer and selected through a rigorous process is the vendor base that we will be using to service our sourcing vertical customers.

Shirish Pardeshi: That is really helpful. My second question is on two brands Lilly and Sid we have introduced in India through Reliance market place and the other one is Turtledove London which we have partnered with FirstCry, any update, any color how it is panning out what is the thing whether the revenues have started coming contributed to the topline?

Sanjay Jain: Yes, I think it got good traction because of the nature of the product that we have. But as Pallak mentioned, we continue to be careful about the risks we take, so we are carefully watching in terms of the order inflow and want to stay away from locking in too much of inventory. From a low sale perspective, last year as I took a new offering our sales are actually multiplying four times. This year we have sold less than 0.5 million and we are seeing 2 million annualized volumes coming in from our effort of sales in India but cautiously taking ahead from 0.5 to 2 we are well poised, but the caution continues to minimize our inventory risk as we take it ahead.

Shirish Pardeshi: SanjayJi my last question is on sometime back we were trying to set up our office in Vietnam and we said that Vietnam is going to be strategic so is the plan has gone as per the process or we have taken a stop there?

Pallak Seth: Vietnam's overall business is progressing in the right direction. We are seeing a lot of traction again because of the China Plus One sourcing strategy of big retailers they are looking at Vietnam as an established market. PDS to a certain extent is a bit late in the game in Vietnam because we just came there and that market has been established for the last four, five, seven years so I think probably close to 7-8 years of business from China was starting to migrate. But whichever customers we are offering Vietnam, especially the European retailers they are finding it as an attractive proposition and want to work with us out of there.

Shirish Pardeshi: Wonderful thank you and all the best to you and the team.

Moderator: Thank you. The next question is from the line of Riken Gopani from Capri Global. Please go ahead.

Riken Gopani: Hi! Sir, thank you so much for the opportunity. I have two questions firstly on the overall business forecast that you have shared in the presentation you do expect the manufacturing segment also to sort of growing faster than the overall company so I wanted to understand what are the strategic plans for the manufacturing operations and what kind of outlay are we expecting over the next three to four years in this segment and which geographies will it be focused on India itself or what are the plans on the manufacturing segment?

Sanjay Jain: I think before I specifically answer the question, the larger strategic intent that we have shared with you is to double our size from $1.2 to $2.5 billion in about four to five years. And as we travel this path the manufacturing contribution to our sales would be about c.8% or so, so from annualized what we have been achieving we are looking at about $90 to $100 million topline coming in from our manufacturing this year and in about four to five years we look at $200 million plus coming in from our manufacturing operations. While there is always a use of 25% to 30% which means from $90 to $100 million this year, we can extract 25% - 30% capital efficiency but there is a $70 to $80 million that we believe would require to be generated through our incremental investment in the capacity that is number one. Having identified this strategic gap or the need to fulfill our focus right now is to make sure that the profitability we have achieved in operations are well-entrenched number two we derive our efficiency. We do have a space land parcel adjoining to one of our factories for the tops which has been in Green internally we have a land parcel adjacent to it, there is scope to expand. We are adding a wash plant to our Progress factory as well so there is going to be an incremental investment to get beyond capital efficiency. I think India is emerging as an attractive country given the mega textile park, given the PLI scheme that has been launched, and especially as we are learning about an active dialogue our government is having developed for the restoration of FTAs that India has been enjoying and with China Plus One. On one hand, India's own manufacturing attractiveness FTAs and China Plus One India is emerging as a country wherein PDS is actively evaluating that for the extra $70 to $80 million beyond the existing capacities that we need to generate for manufacturing I think India is an attractive country. Now the capital outlay we believe our internal accruals that we have, given our balance sheet are very comfortable with our overall net debt to EBITDA leverage of 0.3, we believe our accruals at the balance sheet in parts are sufficient accruals for us to fund this.

Riken Gopani: It is very clear thank you for the detailed answer. Secondly, on the design-led sourcing part of the business that also you expect reasonably strong growth over the next five-year vision plan is it going to be primarily driven by acquiring market share from the existing clients, or will there be new categories if you can broadly help us understand how do you expect to achieve this growth in the next five years in the sourcing business?

Pallak Seth: I think it is going to be a combination of existing customers consolidating and giving us more of their business because a lot of the design-led sourcing business is done from domestic companies in markets like the UK, Germany, US and many of those small, medium size companies are starting to survive so we are going to get more market share from them on that basis so I think that is the reason of major consolidation happening in this segment.

Riken Gopani: I had a followup which was if you can highlight it, it would be achieved primarily from apparel or will there be new category additions that we will also try to export?

Sanjay Jain: Our larger focus would continue to be apparel but we are augmenting our offerings with home as a category when we talk about new vertical investments home is a category that we have focused on and it is gaining traction and then accessories is another category that we are focusing on as part of new verticals so these won't the larger share of our offerings they would adversely about sub 10% so we would largely be apparel focused. While we continue to strengthen our position in the existing markets where we operate with our existing retail customers plus offering them new services through a new vertical of sourcing as a service, but we are also coming across interesting opportunities of providing strategic capital to companies that are in the sourcing business of the size of $40 to $50 million in markets where we have not operated. As you know our model is to join hands with an entrepreneur who has got requisite category or industry experience and then provide strategic capital for growth, we have also spotting some similar opportunities in markets where we have not been operating. So that also would be something that we are going to actively pursue, and we believe while answering the first part about 8% to 10% of our five-year evolution of topline might come in from new offerings in these new geographies. For example, in Australia, we started our efforts one year back and it is a small number, but we have multiplied our sales to Australia five to six times over the corresponding quarter last year. We believe new geographies have the potential to contribute another 4% to 5% of our topline.

Riken Gopani: Understood Sir thank you so much just one clarification if you could basically help us understand the seasonality if Q1 typically a seasonally weak quarter and what is this kind of seasonality that you typically see across the quarters if you could help us understand?

Sanjay Jain: Yes, I think typically the second half of the year as we say the winter collection and then the spring collections for the Feb- March month has always more stronger traction. On average you can say 55% - 60% of what we aim to do annualized basis would actually come in from the second half of the year. So, what we sold was the summer collection what we will sell is the fall collection but then we would be when we get into winter and spring summer then the sales are typically 55%- 60% of the entire year as compared to 40%-45% in the first half of the year.

Riken Gopani: Q4 is the strongest?

Sanjay Jain: Yes, see historically the case that in fact a normalized PBT as part of our investor release, we have tried to compare ourselves sequentially with Q4 but then the higher sales lead to further operating efficiencies in Q4.

Riken Gopani: Understood Sir thank you so much for the answer that is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Krunal Shah from Enam Investments. Please go ahead.

Krunal Shah: Thank you for the opportunity. Two questions first one is on the PDS Venture Tech segment so if you see segmental for the quarter, we had a ₹5 Crores loss could you explain the reason for the same?

Sanjay Jain: Actually, when we talk about the third segment - sourcing, manufacturing, and others then it actually has three pieces just broadly speaking one third is the real estate from which we monetize last year the profit of ₹5.5crores and that is where I mentioned our effort is continuing to further monetize that is one-third piece. The second, one-third, is actually the Venture Tech investment which Pallak explained the strategic rationale as part of the previous question. It is the last, one-third, which is our treasury investments it is not per se liquid-liquid which is kind of little medium to long-term investments, we are in bonds, we are in equity as part of our treasury portfolio and it is here in that segment that on a mark-to-market basis given the interest rates have gone up, therefore, MTM of the bonds come down or otherwise because of the investment in some cases been held in GBP or Hong Kong currency that we have approximately $600,000 of MTM loss which is the currency and interest rates improve and if we held whole to maturity, should go away, but there is also close to a $200,000 realized loss wherein we locked in whatever was the realizable value so it is largely the notional loss of about net of $600,000 out of the two in this one-third segment of the others that got reported that is the answer to your question.

Krunal Shah: Got it thanks. My second question is regarding currency as you mentioned that there has been a lot of volatility in the currency market even euro and pounds has if you see the rupee and the dollar get appreciated so how do we manage this kind of situation because lot of our exposure is again in Euro and pound?

Sanjay Jain: Let us breakup P&L in two parts, anything with expected to sales and the cost of goods sold is largely US dollar-denominated, barring our operations in Turkey which are of the size of 50 to 60 million GBP wherein in the currency of GBP the rest is almost US dollars to that extent we have a natural hedge number one. In fact, our topline has grown 44% this year but if I talk about dollar-to-dollar growth the topline has actually grown 37% so the company has benefited with the dollar strengthening against the rupee in terms of growth becoming 44 that is number one. Now if I go below COGS then we do have opex payments for example in UK operations the salary and some admin-related payments are in GBP that we tend to take a hedged basis the available instrument and board-approved risk management policy but that is a small portion of the opex which is the only UK centric. When you talk about opex in Bangladesh, in Sri Lanka, in India then they are typically denominated in

Bangladeshi Taka or Sri Lankan or Indian rupee there since our earnings are in dollars the local currency depreciation is actually helpful to our case. So, on the whole barring this instance of a translation exposure of the investment that is held through balance sheet which I answered as part of your initial question and some opex that are in GBP or, 50-60 million topline in GBP, in Turkey, we are largely having a natural hedge and our principal currency US dollars.

Krunal Shah: Great. Thank you so much.

Moderator: Thank you. The next question is from the line of Chinmaya Bhargava from LSSB Capital. Please go ahead.

Chinmaya Bhargava Thankyou for being generous enough to take another question from me. So this is actually a followup to a request Vineet had made earlier in the call about subsidiaries and I just wanted to ask if I look at the business sustainability report that we have put out for 2022 we highlighted the 10 subsidiaries that made up 70% of our pie and also spoke about some that we expect to focus on in the next couple of years so like Jcraft, Array or Styleberry I wanted to ask you if you can just share a little bit of details about these businesses because not lot of information is available to better understand what they do? Thank you.

Sanjay Jain: I think as I said in response to one of the previous similar questions the top 10 verticals when I say verticals these verticals might be conducting business in more than 10 legal entities which we will facilitate as part of the next quarter release and more importantly top 10 businesses are contributing 76%. The new verticals that we mentioned about 18 new verticals that we are currently operating they are in the remaining ones then there are some businesses which are in the size of $10 million, $15 million, $5 million as well so they are in a growth phase while the ones which are five years plus typically are in the top 10 but the ones which were started 3-4 years back are running about $10, $20 million it is the remaining ones and wherein, of course, we through our internal performance review processes as part of the original budgets and then the performance reviews we gradually keep supporting them to get to a 4% to 5% PBT of the topline as a sourcing business. So that is the answer I can give you, but I think at the same time we will for sure endeavor to try and get you a more smarter way of getting clarity about the top 10 contributions to topline and PBT and how many legal entities are engaged in top 10 and then beyond top 10 which are the next ones and then the third category is the new verticals. We will endeavor to get this clarity to our stakeholders with this part of the next quarter's release but I hope I have answered your question otherwise I can clarify more at this stage.

Chinmaya Bhargava: Thanks so much I have actually seen that a lot of the new ventures have PBT margins of higher than the 4% that we set so I am happy at this stage would like more granular details next time so that is all from my side and all the best.

Sanjay Jain: Sure, I think when I am answering on an average about 4% to 5% but of course, there can be some outlier exceptions wherein the margins are higher but we would endeavor to clarify more rather not clarifications rather include data as part of the next quarter we will see.

Moderator: Thank you. Ladies and gentlemen as there are no further questions I now hand the conference over to Mr. Sandeep Kumar Agarwal for his closing comments.

Sanjay Jain: Let me take this. On behalf of Pallak and Sandeep from Edelweiss. Thank you everyone for joining us today. It was a pleasure to have an engaging audience like you and taking the time to join us and we look forward to connecting with you again after the next quarter earnings release. Thank you everyone and stay safe.

Moderator: Thank you. Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference call. We thank you for joining us. You may now disconnect your lines.