

PDS/SE/2025-26/27

May 22, 2025

<b>Listing Department</b> <b>National Stock Exchange of India Limited</b> Exchange Plaza, C-1 Block G, Bandra Kurla Complex, Bandra (E), Mumbai -400 051 <b>Scrip Symbol: PDSL</b>	<b>Corporate Relationship Department</b> <b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 <b>Scrip Code: 538730</b>
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**Re: ISIN - INE111Q01021**

**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, please find enclosed transcript of the Company's Conference Call held on Friday, May 16, 2025, at 4:00 PM (IST) wherein the Company's Q4 and FY-25 financial results were discussed.

This transcript can also be accessed on the website of the Company at below given link:  
[https://pdsLtd.com/investors/financial\\_reports/#investor-updates-and-call-transcripts](https://pdsLtd.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**

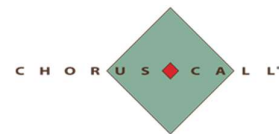
**Abhishekh Kanoi**  
**Head of Legal & Group Company Secretary**  
**ICSI Membership No.: F-9530**

*Encl.: As above*

**PDS Limited**



“PDS Limited  
Q4 & FY '25 Earnings Conference Call”  
May 16, 2025



**MANAGEMENT: MR. PALLAK SETH – EXECUTIVE VICE CHAIRMAN**  
**MR. SANJAY JAIN – GROUP CHIEF EXECUTIVE**  
**OFFICER**  
**MR. RAHUL AHUJA – GROUP CHIEF FINANCIAL**  
**OFFICER**  
**MS. REENAH JOSEPH – DEPUTY GROUP CHIEF**  
**FINANCIAL OFFICER**

**Moderator:** Ladies and gentlemen, good day, and welcome to PDS Limited Q4 and FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Reenah Joseph, Deputy Group CFO. Thank you, and over to you, ma'am.

**Reenah Joseph:** Thank you, Amshad. A warm welcome to all participants to the PDS Limited Q4 and FY '25 Earnings Call. Our investor presentation and financial results are available on the company website and the stock exchanges. Please note that anything said on this call, which reflects our outlook for the future, or which can be construed as forward-looking statements must be viewed in conjunction with the risks that the company faces.

This conference call is being recorded and the transcript, along with the audio for the same will be available on the website of the company as well as the stock exchanges. Please also note that the audio of the conference call is a copyrighted material of PDS Limited and cannot be copied, rebroadcasted or redistributed in press or media without specific and written consent by the company.

Today, we have with us the management, which includes Mr. Pallak Seth, Executive Vice Chairman; Mr. Sanjay Jain, Group CEO; Mr. Rahul Ahuja, Group CFO; I now hand over the call to Mr. Sanjay Jain to take the discussion ahead.

**Sanjay Jain:** Thank you, Reenah. Good day, everyone, and thank you for joining us on the quarter 4 and FY '25 earnings call for PDS Limited. FY '25 was a year of significant progress and resilience for PDS. Despite the persistent macroeconomic and geopolitical uncertainties across the key global markets, we could successfully achieve 25% year-on-year growth in gross merchandise value. It touched of around ₹18,744crs, which is approximately USD2.2 billion.

This performance is a testament to our integrated global platform diversified sourcing model and our people who remain at the heart of everything we do. Let me begin with our strategic agenda. Firstly, the U.K.-India FTA has opened up a significant runway for Indian sourcing.

With the recent acquisition of Knit Gallery, we are now well positioned to scale up sourcing volumes for our existing marquee U.K. customers who already represent near \$1 billion in GMV that we currently have in order book from them. And this GMV spans across apparel, general merchandise and home as categories.

So we've been across these customers gradually also getting a larger share of wallet through different connect points. We continue to strengthen our capabilities in India, and we should be well positioned to cater to the requirements of our customers from India. For many years, we've been having small setup of some of our verticals, running sourcing teams in Tirupur.

And with the focus that we internally had on serving our U.K. customers from the Indian geography, on one hand, we went ahead with Knit Gallery acquisition, on the other hand, besides

these small operations that have been running, we deployed senior sourcing teams who, therefore, in addition to Knit Gallery, similar to what we have done in Bangladesh and Sri Lanka, can now also bring onboard factories that cater to our U.K. customers' requirement of sourcing from India.

Secondly, on the U.S. strategy, we're very pleased to welcome Michael Yee, Founder of Foundry Group to the PDS platform. Michael comes with a vast experience of working with renowned retailers like MGF, GAP, Kate Spade, and he brings key customer relationships on board.

Michael will now lead the change and drive our North America strategy with our existing teams reorganized under him. This gives us a consolidated go-to-market with category specialists in intimates and active-wear, strong customer relationships and end-to-end capabilities across Asia and Latin America. If you may recall, as part of the North America organization that we had built, we had got senior resources in Latin America and in Africa as part of the global sourcing strategy to cater to our U.S. customers. And this was besides our investment 3 years back into Vietnam as well in terms of setting up a sourcing office there. As part of our profitability first agenda, we have recalibrated our new vertical portfolio. Each vertical is now under tight review of proactive realignment and business heads have an unambiguous mandate, hit the budget, cut the cost or fund the losses. Somewhere in a partnership model wherein there is an equity being given to the business heads, we also now either expect them to hit their budgets, cut the cost or fund the losses. Within this, our North America blueprint has been reset. The business, as I said, is being reorganized under Michael Yee, who has been an entrepreneur, and therefore, we expect the execution to be much more sharpened and the benefits to come in as we had foreseen from our North America strategy.

Simultaneously, we are reorganizing existing verticals to extract growth, efficiency and margins. We are pushing for higher profitability in the top performers and pruning through the tail to be taken over by existing verticals or closure. For example, two of our smaller verticals, we are disintegrating and merging with the other large verticals.

As part of our profitability first agenda, we have recalibrated our new vertical portfolio. Each vertical is now under a tight review, or a proactive restructuring and business heads have been given a clear mandate, hit the budget, cut the cost or as an entrepreneur, as a shareholder fund the losses. Within this, our North America blueprint has been reset. The business has been reorganized under another entrepreneur, Michael Yee, to sharpen execution. Simultaneously, even amongst our existing large verticals, there is a far more focus to get more operating efficiency benefit and more and more focus on profitability.

In fact, in our tail, if we have identified, for example, two verticals who have struggled to scale up, we are merging them amongst our top 10 vertical. One of our top 10 verticals, which has witnessed decline in sales over the last 2 years, has also now been disintegrated so that it can be absorbed among the remaining verticals.

On one hand, there is a cost optimization and on the other hand, using the skill set built up to cater to the customers. Another important priority in terms of profitability focus has been New Lobster. This business started on a very promising note for us but had to foresee retail

bankruptcies, the franchisees that were appointed by Authentic Brands Group in U.K. and U.S. went through an administration process. And as a result, almost half of the sales, which were agency sales, got impacted.

But we have been trying to get our act together, which we believe has largely been done. Our wholesale relationships are well intact. In fact, they have been strengthened. So therefore, this business would now primarily work on B2B relationships. The cost structures have been realigned as well in line with the B2B strategy.

And as a result, while the last year happened to be losses in this transition process, but we believe we are now at a point wherein we can fulfill our two objectives: number 1, to make the business self-sufficient on a cash basis, and secondly, to actually cut down the losses and as a first motive, bring it to a profit breakeven situation and then, of course, drive it towards enhancement of profitability.

Finally, we're acting on several group-wide levers. We have initiated cost optimization program with BCG across three key verticals and even at the platform. Even at the half-point point of the implementation of the BCG program, we have identified savings that we believe will start flowing through in the coming quarters. This has been a kind of change management program wherein with BCG's analysis, the process system augmentation that they are doing, we believe the benefits are tangible and surely going to be visible in H2. Furthermore, in this transition, when overall basis, there is a lot of focus on profitability, we have become cautious with respect to our further investments, whether they are in new verticals or if they are across venture techs.

We also realized that in our corporate setup in a platform, there is the second line of leadership that we have been carefully curating and we believe they are all set now to take charge, and this may also help us in terms of optimizing cost, achieve the same objectives with more agile and younger number twos who have been trained over the last couple of years, and we see this changing happening soon as well. So therefore, the platform level cost realignments should also start giving us benefits in the second half of the year. The first quarter may have kind of the restructuring underway, but we believe the Q2 should start giving us benefit with the full benefits of that becoming visible in H2. Given our growth over the last 3 years and execution in brands, DDP, LDP, change in business mix and also the trading term shifts, we have seen our net working capital crept up.

We're also focusing on squeezing it back to low single-digit levels so that on one hand, as the working capital goes down, we also have cash flow release happening and therefore, its eventual impact on the interest costs. We have identified the root causes somewhere they were embedded into the growth, and they were embedded into the geopolitical disturbances, but we believe step by step in the coming few months, one should see the benefit of this coming in. Lastly, before I hand over to our group CFO, Rahul Ahuja, in our 555 journeys as a commitment to scale up to \$5 billion GMV with a 5% PAT, as you recall, a \$5 billion GMV is almost equivalent to 3.5 billion revenues. And at that level, a 5% PAT. This is what we had aspired for. And today, we are almost 2 years into it.

We are at a GMV of 2.2, somewhere we have travelled almost 45%, close to halfway on GMV in about 2 years. And now the focus is that how do we accelerate profitability. As we step into FY '26, we will focus on augmentation of profitability of top verticals, optimizing capital allocations, strengthening our supply chain agility with a sharper focus on India, Vietnam, Egypt and LATAM.

To summarize, we have built the foundations for a leaner, more agile and future-ready PDS with global tailwinds from trade realignments, whether it is U.S. or U.K. and our continued commitment to innovation, compliance and sustainability, we are confident of building on this momentum. With this, I'll now hand over to Mr. Rahul Ahuja to walk us through the financial performance.

**Rahul Ahuja:**

Thank you, Sanjay, and good evening, everyone. Let me walk you through our performance for Q4 and financial year '25. We closed the year with a revenue of ₹12,578crs, up 21% year-on-year. Growth has been observed across geographies that we currently operate in. U.K., which is one of our key markets, clocked a growth of 6%. This is mainly due to one of our customers, U.K.-based Matalan. The revenue to Matalan reduced from 134 million in FY '24 to 89 million in FY '25. This particular customer is served by Design Arc, which is one of our large verticals. We have decided to cautiously scale down this relationship because of the credit risk involved where we thought that it is prudent that we do business very selectively with them. Further, it is important to note that if we include the GMV of sourcing as a service business that we are handling, U.K. has actually increased by 26% as far as overall business for us is concerned.

Gross profit for us increased by 20% year-over-year in FY '25. While the margins witnessed some pressure and declined by about 23 basis points in FY '25, it is mainly due to the impact of decline in our agency business, which also includes Ted Baker agency business, which was impacted by the retail partners bankruptcy. Excluding agency business, our gross margin has improved by 45 basis points. We reported an EBITDA of ₹457crs with a margin of 3.6%. However, if we were to adjust this for our investments made in new verticals, we clocked EBITDA margins of 5.2% versus 4.9% in the last year.

These investments span in strategic areas like design-led sourcing, our geographical expansion in North America brands and for growth initiatives. We are now driving sharper governance across these verticals—asking them to either meet budgets, turn profitable, or be phased out. Our interest expense increased by 18% in line with the increase in debt utilization. The Company's PAT of ₹241 crore, up 19% year-on-year. Our return on capital employed stood at 19% and when adjusted for new vertical investments, it was at a healthy 27%. Net debt-to-EBITDA was at 0.8x and net working capital days increased to 17, largely -- and this was largely on account of changes in business mix and terms of trade. We are working on and are pretty confident that we should be able to contain and reduce our working capital days in fiscal '26.

Another area of progress has been cash management. While operating cash flow was temporarily negative due to the working capital buildup, we ended FY '25 with over ₹435crs in cash and cash equivalents. With the ₹430crs raised from our recent QIP, we have already deployed ₹278 crs towards debt repayment. And in May, we further deployed ₹24crs towards the Knit Gallery acquisition and the remaining funds earmarked for strategic growth and general corporate

purposes. Lastly, I'm pleased to share that we have proposed a dividend payout of ₹3.35 per share, of which ₹1.65 per share was paid as interim dividend, amounting to 30% of financial year '25 PAT, maintaining our capital return track record.

We now open the session for queries from all the participants. Thank you.

**Moderator:** Thank you very much. We'll now begin the question-and-answer session. The first question is from the line of Rishi Mody from Marcellus Investment Managers. Please go ahead.

**Rishi Mody:** A few questions from my end. So starting on the cost front, Q3, you had guided for around ₹150crs spend on new verticals for FY '25. We've ended up spending ₹162crs which is on the P&L. So just wanted to understand what's happened here. Second, on the minority interest payout increase, right? And just two pieces on that. We were planning to allocate some of the centralized costs or shared services cost on to these partners. Has that been done or how much of that has been done? Secondly, you mentioned that a lot of these loss-making subsidiaries have been given like some end of the road kind of a structure where they will be either absorbed or shut down or asked to cut costs. So how much of savings are we or how much of reduction in loss contribution from these entities are we looking at for the coming year? And finally, on the manufacturing business, what steps are we doing to ramp up capacity utilization and hence improve profitability? This is on the cost front. I'll come on to the working capital and North America piece later.

**Sanjay Jain:** Okay. So Rishi, this is Sanjay here. I think we lost you a little bit in between, but I have noted four questions, which me and Rahul and Pallak Seth will try and answer. If we miss out, do point out. Yes, we anticipated that the losses from the new verticals will start tapering off from quarter 4. But unfortunately, ₹162crs is actually, the net loss that we book in P&L. So, there's not much on the cost front, but the sales that we anticipated to materialize, that ramp-up happened slower, whether the geopolitical disturbances of Bangladesh or while the tariffs of U.S. have been a recent phenomenon in the current financial year, that's post the change of guards in U.S., there has been anxiety across customers. So slower sales build-up actually brought us to a situation of ₹162crs, but having said that, while we would be aspiring to bring down this by 40%, but if you ask us a 25%, 30% reduction or more. To summarize the answer your points, I think ₹162crs loss last year, a little higher than what we were expecting Q4 for it to come down. It's more because of the sales ramp-up did not happen as we anticipated. We believe it should get fixed, coupled with a stringent control on costs. So at least a 25%, 30% reduction in this, if not more, we are internally aiming for more, but that's the kind of reduction we are minimum aiming to bring it. On the cost allocation of the central teams, while that exercise has been constantly underway, but what is more important is that even at the platform level, which is what I mentioned in my opening remarks as well, we are looking at a potential ₹25 to ₹30crs cost reduction and measures have already been taken. I mean it's something that we reflected in last month and have put it under execution. And I also mentioned that clearly, the benefits will start coming in, in the later part of the year from Q2 onwards. And somewhere as these cost benefits come in, they are actually going out of platform. So to that extent, the PAT attributable to public market shareholders to benefit from this central cost reduction.

On the loss-making verticals being merged, if I get your question right, I think somewhere, for example, in the two tail businesses, the moment the leadership of those businesses, the top 1, top 2 go away, it on one hand, saves very significant cost, and we merge it into an existing operating vertical. And therefore, there is a leadership already available plus at the back end, there is some merger possibility in terms of sourcing people who are working there. We did this experiment last year, a little before last year, we started with Krayons, one of our largest verticals. There was a vertical Skope that we merged. That vertical was breaking even or slightly making losses, Rajnish, who a business head of Krayons could turn it profitable. So, we believe there is strength in these tail verticals and by merging them, therefore, restructuring the cost, we should be able to bring them into profitability.

Manufacturing, we have achieved ramp-up in FY24-25, also on the profitability enhancement we are close to 4% profitability in the current businesses. Now to answer your point on ramp-up, on one hand, the Knit Gallery acquisition that got closed last year, therein the annualized revenue that we could expect from that business is close to ₹350-odd crores. So that business, we have added with good customer base. There is 3.5-acre land that is already there under a long-term arrangement in Knit Gallery facility. We have no immediate need for any capex. There are about 2,200 machines in Knit Gallery. As the India-U.K. FTA ramps up, there is this lever that at a small incremental cost, we can double up the capacity. In our existing Green and Progress facilities in Bangladesh, we are almost running full capacity, but there is an effort to ramp up the efficiency levels. In Progress, they are closer to mid-60s. They're trying to inch it up to 70%. And in GoodEarth factory, they are 57%, they're trying to ramp up to 65%. So without spending any money in terms of capex in GoodEarth and Progress, we believe closer to 10% to 15% more revenue can be extracted and therefore, commensurate profitability. So this is my response to the four questions that you mentioned.

**Rishi Mody:**

All right. So just to put numbers to it. First, you said from the new verticals, you can save at least 25% to 30%. So that should be about ₹40crs, ₹45crs of savings that should flow directly to the minority investors. Second, ₹25-₹30 crs of cost reduction at centralized level, which should again flow down to the minority investors. So we come up to about ₹75crs. And then beyond that, the tail entities trimming you said, could you quantify how much savings are you anticipating or at least reduction in losses, which I think for FY '25 at around ₹200crs for these entities? Or is it part of the 25%, 30% that you mentioned earlier?

**Sanjay Jain:**

So I think a ballpark number that we believe can be optimized is ₹15crs, ₹20crs from this tail that has been struggling. In fact, I will add it up for you. ₹40crs that you mentioned approximately, this is our potential reduction on the losses, there is an ₹75crs, ₹80crs that we are internally aiming for that. I think there can always be some miss as we pursue it. But can we not achieve ₹50crs out of these initiatives all put together, I think we feel positive we should be able to achieve as an aggregate number out of all of these things.

**Rishi Mody:**

So ₹50crs, you're saying total savings?

**Sanjay Jain:**

Yes. individually I mentioned about potential of each one of them. And I think as we look things ahead, let's assume that ₹50crs is what we should be able to achieve.



- Rishi Mody:** Okay. Because I'm just trying to tie the numbers here again. Q3, you had mentioned that we would be at ₹140crs of expenses, assuming a certain revenue ramp-up in U.S.A., we ended up at ₹162crs. Q3, you had guided that next year, we should reduce that loss to ₹70crs. So that was an ₹70crs savings just from the new verticals. On top of that, you're guiding for ₹25crs, ₹30crs. So I'm just trying to understand that from a potential ₹100crs of savings in Q3, the guidance, we've come down to ₹50crs of savings of guidance. So is it just that we've been overly conservative? Or is there something which I'm missing here?
- Sanjay Jain:** So two things I would respond. I think offline, very happy that me and Rahul can engage deeper into your questions. But I think when we start a year FY24-25, we had anticipated 10% to 15% kind of top line growth and circa mid-teens of bottom-line growth. And there are a few things that you click and a few things that you miss. But what is important is that we finished the year with growth better than what we anticipated and profitability almost about 19% growth or so. So as a result, for next year as well, we are mentioning about various levers of performance that we are looking at. And one of the levers that you're touching upon is cost, so we mentioned what we are gunning for. And that's where I said, okay, while 75-80 could be potential, 50, let's assume is something that should be achieved. But as I requested upfront, we are very happy to engage with you deeper into all these aspects. And maybe we can move to the next one to also have our other investors raise questions, please.
- Rishi Mody:** All right. If you want, I can rejoin. I just needed clarity on the working capital days increase and what's happening at the North America strategy, you mentioned we are doing some reorganization, so.
- Moderator:** Sorry to interrupt, sir, but I request you to rejoin the question queue for follow-up questions. The next question is from the line of Shrinjana Mittal from RatnaTraya Capital.
- Shrinjana Mittal:** A couple of bookkeeping questions and a broader level question. So on the bookkeeping side, the depreciation amount has increased quite a bit in this quarter. So can you just explain what - why would that be?
- Rahul Ahuja:** So we've been doing some investments around our costing tool across the organization. There is a vendor portal being developed, a lot of efforts being made to ensure that we digitize some of the processes to harness the power of one as far as PDS is concerned. Also, the two properties that we have, one is our PDS Tower in Gurgaon as well as the property we've invested in the U.K. There have been some investments done there as well.
- So all of these put together four or five different areas of projects, which led to either developing a software or a platform or a tool to better the productivity or synergies across the group level or in these two tangible assets that we have is where it has led to an increase of depreciation year-over-year, less than 1.5 million, right?
- Shrinjana Mittal:** Understood. And the tool development part, that would be an actual cash type of expenditure?
- Rahul Ahuja:** Sorry?

- Shrinjana Mittal:** The tool development -- related to the tool development, whatever spending has been done, that's also an actual cash expenditure apart from...
- Rahul Ahuja:** Correct, yes. So these are capex that we are incurring and hence, cash outflow.
- Shrinjana Mittal:** Understood. Also, could you share the Ted Baker and Sourcing as a Service segment, the revenue number for this quarter?
- Rahul Ahuja:** Sorry, could you repeat your question?
- Shrinjana Mittal:** The Sourcing as a Service segment and the Ted Baker segment, the revenue number for this quarter.
- Rahul Ahuja:** So for the full financial year as far as our Sourcing as a Service business is concerned, we did a GMV of \$730 million, which translates into revenue of close to \$18 million in this financial year.
- Shrinjana Mittal:** Understood. Understood. And on the Ted Baker side?
- Rahul Ahuja:** Sorry, what's your question on Ted Baker?
- Shrinjana Mittal:** On the Ted Baker, revenue for the full year?
- Rahul Ahuja:** So Ted Baker, the total revenue that we did was around \$61 million, including both wholesale and agency business, which was a tad lower than what we did in the last financial year. Last financial year, it was \$63 million. This year, it's \$61 million.
- Shrinjana Mittal:** Right. And the agency business was largely not there in this year?
- Rahul Ahuja:** Correct. So agency business, given the disruption and the bankruptcy of the retail partner, we had agency business coming only for a few months at the start of the year, post which for almost 6 to 7 months, there was no agency revenue coming from Ted Baker. It's only towards the end of the last quarter when normalcy started returning that we have some revenues coming in from agency.
- Shrinjana Mittal:** Right. Just one last question.
- Moderator:** Sorry to interrupt, ma'am, but I may request you to rejoin the question queue for follow-up questions. The next question is from the line of Pritesh Chheda from Lucky Investment.
- Pritesh Chheda:** Sir, in the last 2 years, we see that the ROIC dropped with the margin dropping and the working capital cycle rising. It's good that you have a continuous revenue growth of about 20% even this year. So how does this all rectify itself in terms of, first of all, a, until the last call, you were saying that the margin is lower because of the sourcing profitability being low. The supply is high in the system and the sourcing profitability is lower. You want to incrementally comment on it and even your U.S. business was relatively lesser profitable. So you want to comment there? And you want to comment on working capital cycle and the ROIC, how does it improve itself. So it's good to have 20% revenue growth, but then correspondingly, all these metrics should

eventually should move higher. Otherwise, just having revenue growth doesn't solve the purpose.

**Sanjay Jain:**

This is Sanjay here. So the ROCE, of course, as you know, is in terms of numerator, the profitability and then the capital employed. Capital employed for us has largely been working capital. And the number of days have gone up because of numerous factors, a, the growth that has happened and when the disruptions were happening in Bangladesh as well, as a larger platform. We also had to facilitate the functioning of the factories by more advances, customer advances that has also happened as well. And these things have been temporary in nature. And we mentioned in the opening remarks, we should be slowly working towards bringing the working capital from closer to 17days to a single-digit number.

So it's a ramp-up and that has happened. We will bring it down. On the profitability, if we take the normalized EBITDA, then the ROCE should look far, far better. But we've been into kind of an investment mode in our business, the investments are largely through P&L, and we were discussing earlier an ₹162crs through P&L happened and as a result, the EBIT of the company going down to that extent. We are working towards the benefit of this investment coming in and this may take about full 2 years for the benefit to come in. They should start becoming visible this year. And so therefore, this is the ROCE of a company into an investment phase wherein the levers have been identified to bring it back to normalcy. That's the way and in fact, on a larger 5-year horizon, when we are aspiring for a GMV growth, we have said that we are nearly 45% mark, and we are trailing behind in profitability.

And that's where we've rightfully at our end, taken multiple measures across large verticals, across sales, across corporate, across processes through BCG that there is now profitability extraction across all. So the combination of these factors I'm acknowledging the point you're making, and the combination of these factors should see us a gradual ramp-up in ROCE.

**Pritesh Chheda:**

This 1.5% of sales, so when I initially mentioned on the question, there were other two things: profitability on the sourcing business and your focus on U.S., which is a certain scale. So are those also contributor to the margin and that's why you reflect this 1.5% because this 1.5% and the profitability on sourcing business, these two will be independent, right?

**Sanjay Jain:**

Sorry, what's 1.5% that you're talking about?

**Pritesh Chheda:**

You said you have used ₹160crs as P&L investments. So ₹160crs P&L investment on ₹12,000crs revenue is 1.5%.

**Sanjay Jain:**

1.6%, yes.

**Pritesh Chheda:**

Yes, 1.6%. So this is -- this will always be in addition to what's happening on the sourcing profitability side. Or am I double counting here?

**Sanjay Jain:**

No, I think to facilitate understanding of our performance, in our investor presentation, we have tried to break our EBITDA into what is coming in from operations that have been into existence for many years and then the initiatives taken in the last...

- Pritesh Chheda:** So you are adjusting it that way, okay. So you are adjusting in terms of incremental investments that you have taken. So which means it's the revenue growth only which brings the leverage line? Or you cut these investments, cut these costs? What will happen?
- Sanjay Jain:** So the revenue growth, yes, but these investments quantum would actually come down, yes. It would come down in the current year itself in FY25-26.
- Pritesh Chheda:** How much will it come down?
- Sanjay Jain:** That's one of the earlier questions that we said that we are looking at a 25%, 30% kind of reduction to happen into these investments. We are internally running for more, but that's the kind of reduction that we are working towards.
- Pritesh Chheda:** And my last question is, sir, on the revenue growth side, so you've been growing last year at a good 20%. FY '26, do you see a relatively similar year as a business condition, or do you see a slightly challenging business conditions?
- Sanjay Jain:** So I think we are walking in with a 14% order book growth in dollar terms over the same period last year. So mid-teens is what we are walking into it. There are mixed factors. I think the U.K. FTA is a big plus. The U.S.-related tariffs, given our well-diversified sourcing base should also benefit. So there are factors to the upside in terms of whatever is happening. Of course, the geopolitical tensions that keep coming up from time to time are some negatives. But at this stage, a mid-teens kind of growth throughout the year, we feel positive that, that's something that we should achieve.
- Pritesh Chheda:** And what will be the minority interest portion, percentage of profit?
- Sanjay Jain:** So this question, I think, was also asked earlier. Some of the platform cost reductions and also the new vertical investment coming down as we scale up our North America, which has been largely through platform investment, as we scale up that as well. In fact, I would also request Mr. Pallak Seth to chime in because one of the questions earlier was on the North America strategy as well. So as the North America strategy has been calibrated, all of these have been largely investments from platform. So therefore, when the platform benefits, the minority share kind of relatively comes down. So that's something that these factors would lead to.
- Pallak Seth:** Hi, good afternoon everyone, so just on the North America strategy, Sanjay earlier in the call mentioned about Michael joining us to overall lead the U.S. strategy for our design-led sourcing and Sourcing as Service businesses. And I've known Michael for a few years. He comes with a tremendous background and network, not only with the U.S. customers, but also now strong vendors in Far East, emerging out of Cambodia, from Indonesia, which is some of the biggest trading partner for U.S. even in the post tariff world. So just on the North America side, the business was going in a very strong direction. But with the tariffs suddenly coming in, most of the retailers have paused the buying that we saw the impact in the Q4 order book as well.
- So one of the factors our losses in Q4 were there and not reducing is because the North America business that was supposed to come in for shipping in Jan, Feb, March and even beginning part of this quarter, has now been postponed to a little bit in the future months. So June, July, August,

we are seeing a big uptick in the order book and business starts flowing back again because a lot of doors have opened. In the last 6 months, we've opened major accounts like Walmart, Target, American Eagle, Ralph Lauren. So some of the biggest U.S. retailers who are almost impossible and not looking to add any new vendors in their metrics have opened PDS account.

So because of the tariffs, everyone was taking a pause, waiting and watching what will happen, resetting the business. And we feel that we are in an extremely strong position to be able to get started with them on a proper business with large volume commitments coming in the next year and years coming down from there. Even T.J. Maxx, which is one of the most successful U.S. retailers has recently opened PDS account to start trading with us on various opportunities. And because we have such a huge geographical spread, especially offering Central America and Africa sourcing, this is highly attractive to many of the U.S. retailers.

So once we offer our product proposition with a global sourcing base, it becomes very, very attractive for them to be able to engage with us and open our vendor account. So I mean, the good thing is that wherever we are pitched, our account gets opened. And I would say, generally, today, retailers are in a consolidation mode. They're not really looking at opening new suppliers, bringing in new suppliers on board. But looking at the PDS track record, the quality of our management, our product capabilities and geographical spread, we end up opening 9 out of 10 accounts we pitch to from the company side.

**Pritesh Chheda:** Okay. I'll take this offline.

**Pallak Seth:** Yes, yes.

**Pritesh Chheda:** Go ahead, sir, if you want to finish.

**Pallak Seth:** No, no, it's fine. I think the only last point I want to mention is that Fashion Nova joint venture, some of you must have known, we had set up with our business to supply this U.S. retailer Fashion Nova, which was supposed to scale up to large volume levels. So there also with SHEIN now being almost banned from the U.S. and Temu being banned from the U.S., that business also is now on the upward trajectory. And the main purpose of setting up the JV with Fashion Nova was to help them diversify sourcing out of China.

So we've taken steps to now introduce them to vendors from other geographies. So that business also is now beginning to take off in the next 6 months. So all the investments we made are going in the right direction, but it takes time. That's the only thing. And PDS, as long as it sees investment being made with creditworthy customers who have large potential, we will continue to just remain patient and slowly build our business with hope to scaling up in the next few months.

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

**Dhwanil Desai:** So my first question is that on a 9-month basis, we had given a breakup of investments being made. And out of 13-odd million, I think almost 10 million went to U.S. and brand management. So is proportionately the ratio same for Q4 also? And going into FY '26, as you say, we'll cut down investment by 25%, 30%. So where saving going to come from? Is the brand management

breaking even or losses getting reduced is what we are kind of trying to get more or less investment in that? Some colour on that?

**Rahul Ahuja:**

Sure. So your understanding is right. These were the two, while there are five or six areas where the total investment can be segregated into, but these two-brand management and U.S., the trajectory would be similar of what you noticed in Q3, pretty similar in Q4 as well. As far as the second part of the question of where the reduction will come from, as Sanjay explained, this is about us ramping up our revenues in these initiatives, this will lead to absorption of cost and hence, reduction of loss or eventually converting them into profitability.

Now as far as brand management is concerned, we have some new businesses which are there. And this is this year's annual planning that we have done, these businesses should perform, ramp up better than what they did last year. And hence, some of them would be breaking even, some of them would be reducing their losses. Similarly, North America, we've -- but the growth has been a bit slower than what we expected on account of reasons which Sanjay covered, whatever is happening in the Western world, the economies, the geopolitical, the whole situation in the U.S. But we are very hopeful, the good news is that we've signed up a lot of large customers, the likes of Target, Fashion Nova, ramping up with Walmart, Kohl's, et cetera. As business ramps up, there will be better absorption of cost and hence, reduction. So while these two are large areas of our investment through P&L and the maximum benefit will come out of these, but it will be spread across others as well.

**Dhwanil Desai:**

Got it. And second question, I think in the previous participant's question, Pallak mentioned that we have almost landed with most of the accounts that we had pitched for. But we are still talking about reorganization in U.S., I think we are bringing in newer leadership there. I'm not sure whether Mr. Mark Green is still with us or not. But what is it that according to us was not going as per plan? And what is the recalibration that we are doing in U.S. Or what is the next strategic game plan to kind of do and achieve what we kind of set out ourselves for?

**Rahul Ahuja:**

So we would ask Pallak to tell you about our whole strategy around North America, and then we will fill in as well.

**Pallak Seth:**

Yes. So as Sanjay mentioned earlier in the call, the only change we were planning to make or ended up making was Mark Green, who we had bought in to help us drive some business was replaced or is in the process of being replaced by Michael, who comes with, we feel a more proactive background. So Mark has been helpful and instrumental in opening a few doors, but the order conversion, especially given the costings and the proactiveness of getting that converted was being a bit slow. So in Michael, we saw more of an operator, someone who is actively being able to engage with the customer, get the costing closed and then get the business booked. So, Mark will continue with us in a small shape or form, maybe managing customer relationship, one or two customers where he has deeper relationships, but Michael will take on overall charge and lead the North America strategy, along with me to be able to help take the business forward. But the teams below that we have set up are all going to report into Michael to be able to have one streamlined approach rather than us having Mark and Michael separately competing for the U.S. business with probably similar customers.

**Dhwanil Desai:** Got it. Just one bookkeeping question, a data point rather. I just need one data point. So because there is some reconciliation not happening on U.S. percentage growth. So if you can give absolute U.S. GMV for FY '24 and FY '25?

**Sanjay Jain:** I think we'll allow us to proceed with the next question. But in the meanwhile, our team is taking out that number. And during the call itself, we'll try and give the number, please.

**Participant (Name Unaudible):** Could you help us understand how long does it take to set up a new sourcing base in a country and commercializing it properly? And where are we in that journey across Egypt, LatAm and even India since U.K. FDA opens door for more business. But India, I think we have limited sourcing capacity as of now.

**Pallak Seth:** I can take that, Sanjay. Yes, so to set up a new sourcing base, I think that's not a big challenge for a company like PDS because of our ability to attract the best global talent to come and join us, be it Latin America, be it Africa or even India because some of the best people who are in the industry who have the capability of dealing with the customers, bringing the vendors along with them because of the past track record, so hiring the best people who they've worked with them in the past in the large jobs joining us to be able to service our customers.

So that is probably a 3 to 6 months' time frame by the time the offices and the team members and core team members are in place. It's basically the customer side, which is when they start visiting, when we set up a new geographical sourcing location, they start visiting, they'll start experiencing the factory, we showcase them. But that's a 12- to 24-month journey.

So setting up teams and offices for PDS is our strength, the ability to attract the best talent is our strength. It's just that when the customer starts visiting, it takes 12, 24 months for business to become sizable and from there it becomes profitable.

**Participant (Name Unaudible):** Okay. So if I'm understanding it correctly, it will take like another 12 to 18 months to become profitable for these geographies, the new geographies highlighted in our presentation, Egypt, Latin America. Am I right?

**Pallak Seth:** Yes. So 12 months it will take to be able to start becoming profitable because first, the customer critical mass has to happen. So example, in Latin America, we have people like Walmart, Target, Ralph Lauren visiting us in the next couple of months. And then at least the vendor account gets open, and they start placing orders. And one reason we are able to open our large American retailers is to be able to offer them diversified geographical sourcing base. Today, just being a factory in middle of Asia almost has 0 value for a retailer. So there are 10,000, 20,000 factories around the world that keep approaching them and they don't even get appointment. But based on the PDS structure, the quality of people we put forward, we keep the details of opening our account and getting started with us to be able to build the business. In terms of loss funding, once we set up a new office, like it's \$0.5 million cost a year. So you're not talking about like when you set up a new factory, you're investing millions of dollars, you're losing millions of dollars till the time efficiency starts happening. In our case, a new office in Africa or in Central America will cost \$500,000 to \$700,000 a year as our cost and expense. So it's relatively small to the size and scale of our operation. So it's like at least we sow a seed, we bring the customers

in. And the CV of the person who joins us is what's attracting the customers. Like in Africa, the guy who ran Li & Fung operation for the last 15 years, running almost a \$400 million business, he came and joined us to run the Africa region. Once we showcase that to Target, U.S., they're like, great, you've got an excellent person there, and we'll be able to now start working within that geography. So the question when a customer ask us how much business you do in a geography, even if you say we don't do any business currently, but the team we have put in place is the expert in that region, we start getting a chance.

And we start getting business going in different geographies based on our -- the talent we bring into these places on a relatively very low investment, considering we don't have to set a factory to attract customers, but bringing the right caliber management to be able to work with the customers in new geographies we end up opening.

**Participant** (Name Unaudible): Okay. Sir, since you have talked about establishing...

**Moderator:** Sorry to interrupt sir, but I may request you to rejoin the question queue for follow-up questions.

**Participant** (Name Unaudible): It's only for my second question.

**Moderator:** The next question is from the line of Ankit Gupta from Bamboo Capital.

**Ankit Gupta:** So before I start my question, one request to the management is that the Investor presentation, it will be great if you maintain the consistency of some of the points like the breakup of investments has been missing in this quarter's presentation and what was given in Q3 presentation. Even you have given the top 10 companies numbers, but there also, we have excluded the investments in the new ventures that we are doing or the business we are building up. So maybe if you want to exclude that, give a presentation, which has one including that and one maybe including excluding the investment that we are doing. So that is one request from my end before I start my question. Yes, so my question was on our target for 3 3 3, 3 billion GMV in 3 years and 3% PAT margin. Given how things are currently our investments that we are doing in both brand management and in the U.S. geography, do you think 3% kind of PAT margins in FY '28 seems -- sorry, in FY '27 seems a bit farfetched currently and will take some more time to reach those kind of margins?

**Sanjay Jain:** So firstly, on that disclosure that you mentioned on we have given across two buckets, 71% of 162 and the remaining. It was becoming too busy to give those minute breakup. That was the only reason I think the Investor Relations team kept at 71%. We are very happy to continue doing that. That was the only reason, the slide was becoming busy. That's it. I think we are very happy to offline to all our stakeholders who are on the call, share this information in terms of breakup. And on the 3% PAT in about 2 years, I think we are working towards that.

We're just at about 2%. And we have been in this call talking about levers of a mid-teens' growth, coupled with investments in new verticals expected on one hand to become in the journey of profitability, also lesser incremental investment, lots of cost austerity measures as well. So no one can say with certainty that will we get to 3. But I think the measures, the levers are underway to see that in the next 8 quarters, the 2 years that you mentioned, we should see a gradual ramp-up in that direction. We are working towards that.



- Ankit Gupta:** Sure. But do you think given where we are currently, it seems to be a bit of a steep task to get to that kind of margins in the next 2 years?
- Sanjay Jain:** See what's important is that are there levers, the answer is big, yes, including the BCG lever as well. So it's all about making them happen. And the only reason one is a bit conservative is because there are so many geopolitical developments that keep happening across the world, Bangladesh and then the war around India and then U.S. tariffs, etcetera. So we're just keeping a bit of margin around that. But as a management team, we've been able to build up a lot of levers to help us get there. So it's not a steep task to achieve. You should see us, if not achieve at least closer to that, we have levers in hand.
- Ankit Gupta:** My second question was on the other comprehensive loss of around ₹43crs that we have incurred in this quarter and even for the full year, there's a loss of around ₹71.5crs. So if you can throw some light on that and last year, we had around ₹70 crs kind of profit, but this year, almost ₹71crs kind of loss is there on the other comprehensive items. So if you can just shed some light on that?
- Rahul Ahuja:** So, you're talking about the ₹48crs and ₹23crs...
- Ankit Gupta:** Yes, ₹43crs, it's the sum of ₹18.75crs plus ₹24.58crs, which is there?
- Rahul Ahuja:** See in the OCI, the ₹48crs is largely two things. One is in Bangladesh; the retirement age was increased by the government from 58 to 60 years. So we got the actuarial valuation calculation done. That has an impact of about ₹9 to ₹10crs, which is part of ₹48crs. And we have the PDS Ventures portfolio, which we get a revaluation or valuation done twice a year. A comprehensive valuation is done for the year-end. And depending on which investment or company, how they are faring or funds that they have raised, we take that as a benchmark because these are all young companies in various stages of Series A, B, C kind of investments. So, there has been a reduction in valuation of close to ₹35crs across about seven to eight of our investment companies, which has led to almost ₹45crs out of this ₹48crs that you have mentioned. On the other item, which is ₹23-odd crs under OCI, negative of ₹23crs, we saw an ₹32crs positive last year. This is largely the FX., the depreciation of the Bangladeshi currency by almost 12% this year vis-a-vis the dollar. And if you put that on my balance sheet in Bangladesh, it translates to about out of this ₹23crs, almost ₹20 - 21crs is on account of the FX depreciation or appreciation of the dollar against the Bangladeshi currency. These are the three prime reasons for the swing that you see in these two items.
- Ankit Gupta:** Sure, sure. On the North American...
- Moderator:** Sorry to interrupt sir, we will take that as the last question. Ladies and gentlemen, in the interest of time, this would be our last question. I would now like to hand the conference over to Mr. Sanjay Jain, Group CEO, for closing comments.
- Sanjay Jain:** Thank you so much, everyone, EY team and also our various stakeholders. We apologize for the hiccups that happened during the call. We will look into it and see that the recurrence does not happen. And for any questions that we may not have been able to answer because of paucity of time, due to these disconnections, please feel free to reach out to our Investor Relations team

and the management team is also available to take up your questions. Thank you so much, and have a good weekend, all of you.

**Moderator:**

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