Active Clothing Co. Limited

To **Date: 20.02.2025**

BSE Limited
Listing Compliance
P J Towers, Dalal Street,
Mumbai - 400001, India

Sub: TRANSCRIPT OF EARNINGS CONFERENCE CALL — Q3 FY25

Ref: Scrip Code 541144 (Active Clothing Co Limited)

Dear Sir / Madam,

Pursuant to the provisions of Regulation 30 read with Part A of Schedule iii of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on February 17, 2025 to discuss Q3FY25 results.

We request you to kindly take this in your record.

Thanking You,
Yours truly,
For Active Clothing Co Limited

Rajesh Kumar Mehra
Digitally signed by Rajesh Kumar Mehra
Date: 2025.02.20 10:25:20 +05'30'

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"Active Clothing Co Limited

Q3 FY '25 Earnings Conference Call"

February 17, 2025

MANAGEMENT: **MR. RAJESH MEHRA – MANAGING DIRECTOR – ACTIVE CLOTHING CO LIMITED**

MODERATOR: **MR. GANESH NALAWADE - KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Active Clothing Company Limited Q3 FY '25 Earnings Conference Call hosted by Kirin Advisors Private 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ganesh Nalawade from Kirin Advisors. Thank you and over to you, sir.

Ganesh Nalawade: Thank you and good afternoon, everyone. On behalf of Kirin Advisors, I welcome you all to the conference call of Active Clothing Limited. From the management team, we have Mr. Rajesh Mehra, Managing Director and Mr. Rahul Agarwal. With that, now I hand over the call to Mr. Rajesh Mehra for the opening remarks. Over to you, sir.

Rajesh Mehra: Good afternoon, one and all. It's my pleasure to welcome you all to our Q3 Financial Year '25 Earnings Conference Call of Active Clothing Company Limited. To begin with, I would like to give you a brief overview of the company.

Active Clothing is a premier apparel manufacturer based in Mohali. Punjab, specializing in high-quality flat knitted sweaters, jackets, circular knitted t-shirts, and sweatshirts. We are India's one of the leading integrated design-to-shelf solution providers, offering end-to-end services, including design, manufacturing, marketing, and retail.

Over the years, we have established ourselves as a trusted partner for leading global fashion brands, which includes Levi's, George, Pepe Jeans, Only, Jack and Joan, Vera Moda, next, Skechers, Guess, Puma, Ted Baker, T.J. Maxx, Benetton, Tchibo, and Adidas. Our ability to offer complete apparel solutions under one roof has made us a preferred choice for high-fashion streetwear brands and direct-to-consumer brands worldwide.

We offer a state-of-the-art manufacturing procedure that allows us to maintain strict quality control, improve turnaround times, and ensure efficient order management. Our product portfolio includes flat knitted sweaters, fly-knit shoe uppers, circular knits, outerwear jackets, and woven garments. In addition, we have expanded our offerings by introducing knitted beanies and gloves, soft knitted toys, and athletic products, further strengthening our presence in the market.

A key differentiator for Active Clothing is our tech-enabled design and manufacturing approach. By leveraging virtual knitting and digital sampling, we enhance efficiency and sustainability in product development. This innovation helps brands reduce waste, save time, and optimize costs while maintaining precision in design. As the fashion industry increasingly prioritizes speed, sustainability, and digital integration, we continue to align our operations with these evolving needs.

We are also deeply committed to ethical and sustainable manufacturing standards. Our facilities hold several industry-recognized certifications, including FedEx portfolio, factory capability and capacity assessment from Walmart, worldwide accredited production, which is called WRAP, and SA 8000, global organic textile standards, responsible wool standards, and global recycle standards, apart from brands' individual compliances.

Additionally, we work with the certified BCI, organic cotton yarns, and RWS yarns reinforcing our commitment to responsible sourcing and environmentally conscious production practices. We are pleased to share our financial performance for Q3 FY '25 and nine months for FY '25, which reflect significant growth and strong operational execution.

During Q3 FY '25, we achieved a total income of INR100.22 crores, marking an impressive year-on-year growth of 89.18%. Our EBITDA stood at INR9.02 crores, registering a 66.11% year-on-year increase, with an EBITDA margin of 9%. The PAT came in at INR3.14 crores, reflecting a remarkable year-on-year growth of 222.83%, with the PAT margin improving by 130 basis points to 3.14%.

Additionally, our diluted earning per share stood at 2.02, recording a year-on-year growth of 220.63%. For the nine months ended FY '25, we recorded a total income of INR228.36 crores, representing a year-on-year growth of 30.70%. Our EBITDA reached INR22.90 crores, growing by 40.47% year-on-year, with the EBITDA margin improving by 70 basis points to 10.03%.

The PAT for the period was INR6.82 crores, registering a strong year-on-year growth of 93.64%, while the PAT margin improved by 97 basis points to 2.99%. Our diluted earning per share stood at 4.39, reflecting a year-on-year increase of 40.26%. These results underscore our strategic efforts, operational efficiencies, and strong market positioning as we continue to expand and strengthen our business.

These strong financial results demonstrate the success of our strategic initiatives, operational efficiencies, and growing demand of our products in both domestic and international markets. Looking ahead, we are focused on enhancing our production capacity to support future scalability.

Our target is to achieve INR500 crores revenue in the next three years, and INR1,000 crores in the next five years, driven by rising market demand and strategic growth initiatives. To achieve this, we are expanding our dealer network from 200 to 300 to reinforce our sales reach, leveraging AI-driven design, smart manufacturing, and database-backed marketing to optimize operations and improve efficiency. Strengthening partnerships with leading fashion brands in both domestic and international markets to solidify our global presence.

Focusing on eco-friendly materials and advanced production techniques to align with the industry shifts to our sustainability. As one of the leading companies in India offering a true design-to-retail model, Active Clothing companies are well-positioned for future growth. With increasing demand from premium global brands and a strong technological foundation, we continue to expand our reach, particularly in the high-fashion winter wear segment.

Our robust manufacturing capabilities, commitment to quality, and focus on sustainability make us a trusted name in the global apparel industry. Before we move to the question-answer session, I would like to express my sincere gratitude to all our stakeholders, our employees, our customers, business partners, and investors who have played a crucial role in this journey. Your support and confidence in Active Clothing continues to drive our success, and we remain committed to delivering sustained growth and value for all stakeholders.

With that, I now open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. First question is from the line of Garvit Goyal from Nvest Analytics. Please go ahead.

Garvit Goyal: Hello. Good afternoon, sir. Congrats for a decent set of numbers. My question is, like, what are the factors that are driving the kind of growth that we have delivered? And secondly, are these factors sustainable? Because historically, also in the last two financial years, there is always one quarter where we show a decent jump in numbers, and then there is a fall in the top line in the following quarters.

So, I just want to understand, like, how this time is different, and what kind of top line are we targeting for FY25 and FY26?

Rajesh Mehra: Garvit, thanks for your question. This is all the growth is due to the inputs by state and our Art Active Design Center to bring brands, mobilize bigger orders with increasing turnover, fixed overheads, spreading costs, leading to the better profitability. As far as your answer to the sustainability, yes, our growth would continue uninterrupted.

Garvit Goyal: What is our top line target for FY25 and FY26?

Rajesh Mehra: Yes, FY25 will be closing around 300. And in the next two years, two to three years, we are planning to, we have a target for INR500 crores, as I told in my earlier, when I joined the meeting.

Garvit Goyal: So, when we are focusing on two to three years medium term target, are we anticipating any kind of slowdown in FY26? Because we are not particularly providing any number for FY26. Is there any specific reason?

Rajesh Mehra: FY23, you mean to say?

Garvit Goyal: 26?

Rajesh Mehra: Yes, 26 will be doing 400. 300, 325, 426, and 500, around 27.

Garvit Goyal: Understood. And you mentioned, like, profitability is getting improved on account of new brands getting onboarded and the kind of initiatives you are undertaking. I just want to understand, like, from here onward, what is the kind of margin profile can we anticipate? Like, is it going to be an improvement over the existing margins or how the margins are going to shape up?

Rajesh Mehra: Yes, these bigger turnovers would help in spreading overhead costs, in addition to additional customer portfolio and value-added products will help the building better margins.

Garvit Goyal: Understood, sir. Thank you very much, sir.

Rajesh Mehra: Thank you, Garvit.

Moderator: Thank you. Next question is from the line of Pratik from KamayaKya Wealth Management. Please go ahead.

Pratik: Hello, sir. Good afternoon. I just wanted to, you know, to understand two things that currently in the recent presentation that…

Rajesh Mehra: Pratik, you are not fully, correctly audible.

Pratik: Yes. So, in the recent presentation, we have given our localization numbers for sweater, jacket, t-shirts and shoe offers. So, just wanted to know that whatever the revenue growth, which is going to come in the next two to three years, is it going to be, you know, due to increasing volume or increasing, price realization or like increase in margins?

Rajesh Mehra: Growth will come from the… all top-line growth will be there and bottom-line growth will be there. That will come with the existing expansion plans what we are… companies under into. So, we are adding more infrastructure and once that infrastructure will be completed in next three, four months' time and that is put into the production, automatically that infrastructure will give us an additional turnover of INR150 to INR200 crores.

Pratik: Okay. And sorry, sir, if I can ask it again about the expansion plans, I might have missed in the beginning of the call?

Rajesh Mehra: Yes, infrastructure is already created. The building is already into the process. We are creating a 1,50,000 square feet additional area and now the paint work is going on and it is at the final stages and once that is done, so then the machinery installation would be there. So, roughly 4 months more time is required to commission that expansion.

Pratik: Okay. Thank you, sir.

Moderator: Thank you. Next question is from Shaurya from Arjav Partners. Please go ahead.

Shaurya: Sir, just on that expansion plans your current capacity as mentioned the PPT is around 46 lakhs. So, post expansion where it will - where it will go to?

Rajesh Mehra: We are doing approximately 70% increase on capacity.

Shaurya: 70% increase. And what is the amount of capex we have spent or going to spend on this project?

Rajesh Mehra: Approximately, the capex into the civil which is the land, building and machinery, we have spent it around INR30 crores and in machinery around another INR30 crores.

Shaurya: Total INR60 crores capex we have planned?

Rajesh Mehra: Yes some of the expense has already been incurred and some is yet to be increased.

Shaurya: But everything will be done in next 4 months, you are saying, right?

Rajesh Mehra: Yes.

Shaurya: And how it was funded, did you take debt?

Rajesh Mehra: No, it is already in the balance sheet if you see. We have - we have funded this project with the internal accruals and from the bank debt.

Shaurya: Okay and how much percentage was the debt, I mean the ratio to internal accruals and debt?

Rajesh Mehra: Against INR60 crores we have taken a debt of INR32 crores.

Shaurya: INR32 crores debt. Okay sir. Thank you. That answers my question.

Moderator: Thank you. Next question is from Samarth from Krijuna and Research. Please go ahead.

Samarth: Good afternoon, sir. And congratulations on a wonderful set of numbers. I have a couple of questions, sir. So, sir, when I see the yearly numbers from past couple of years, we see there is an improvement in gross margin, but we still aren't seeing any operating leverage getting played out here. So, can you explain me the reason for this?

Rajesh Mehra: If you see, our EBITDA is on a higher side. And because since this is the activity is a more capex oriented, very heavy capex is there, land, building, machinery, you have to invest more in this business. And interest also is a factor which is reducing our net vouchers, net profits.

Samarth: Okay. Sir, but there is another observation that I have is, let's say in 2020, our material cost was around 70% and our employee cost was around 14%, but now when I see the material cost has spiked, but then employee cost has increased a lot. So, what is the reason behind this? What is the reason behind this actually?

Rajesh Mehra: Earlier, we were driving the company ourselves only, but now all the professionals, top of the line professional team is handling the business. And the change in the product mix offering is like that, where we are doing more value added products and by doing the value added products, your cost to salary and wages goes on a higher side.

Samarth: Okay. Now, sir, second question which I had is around the distribution side of the business. So, can you tell me that why because when I see across the board, when I compare - when I see the larger players, none of them are involved in providing distribution as a service. And we are the one which is providing it. So, what is the reason for us to provide that because it is a more working capital intensive business?

Rajesh Mehra: Yes, but we are doing since inception like this. Because most of the brands, they trust on our marketing capabilities and design capabilities. And the solution what we provide to them is sketch to store. So, we start from the concept stage and take the responsibility till they deliver it to the shelves.

Samarth: Okay. And in 2018, we got a...

Rajesh Mehra: That is our USP.

Samarth: That is our USP, you are saying. Okay. In 2018, for example, when I see that we got the distribution right from Adidas and it is now that we have got the manufacturing contract from Adidas. So, why there was a gap between first distribution we got and then we got the manufacturing?

Rajesh Mehra: So, it is not easy to be on board of these bigger companies. So, you have to first develop the products which these brands need. What is the gap in their sourcing, you have to identify and then you can approach them to be on their supplier list. These all brands are under consolidation mode and entering a new vendor with these kinds of companies is very, very difficult.

In 5 years' time, 6 years' time, they open one vendor or two vendors. So, that is only when they are closing with someone. So, the business of all these brands are consulting with the vendors.

Samarth: So, you are saying that they opened the window now and then we got the part. Is that true my understanding?

Rajesh Mehra: No it takes time to be on the board. If I am making a product and they are already sourcing a product, then why they want me to be there. So, I have to make some product which they are currently not sourcing or their existing vendor is not able to make that kind of a product. Only then I will get the entry.

Samarth: And now, sir, one last question which I have is, when I see the realization for the product that we have, we have the highest realization for jackets and sweaters followed by t-shirts. So, what would be the revenue contribution approximately if you can tell me from the products?

Rajesh Mehra: Approximately 50% revenue is coming from sweaters, 30% from jackets, outerwear jackets and 20% balance from t-shirts as well as the shoes for business.

Samarth: And since now we have 50% revenue coming from sweaters for which the demand is mostly around November quarter, but we have September as a heavy quarter. So, what is the reason behind having September as a heavy quarter for us?

Rajesh Mehra: It is a 12-month business. It is not particularly that the demand is in the sweaters. All the brands, they take the deliveries starting from March, April onwards for their coming season. If I am sending a goods to USA, so their window for autumn-winter, the seasons are separated like this. Autumn first is autumn.

So, then they take deliveries from the March. So, it is a round-the-year business, the kind of a product what we make is a heavy sweater and a light sweater just on the layered layering solutions. So, concept what we are making in our product, so we are not a seasonal manufacturer. It is a 12-month running business.

Samarth: Okay. And just on one side, I want to understand. We did one designing for a world's largest jeans manufacturing company. So what actually we provided to them that we got the contract for the whole winter line that we did for them?

Rajesh Mehra: In fact, we are the only one company who is providing all these kinds of solutions. And if you see the device, the winter wear category, we are the only approved factory in India. And even for the best sellers, we are only the approved factory in India. So, our design portfolio strength is very, very on a bigger size. So, whatever my design team forecast, it really converted into a good amount of sales at the retail points. So, this is the reason.

Samarth: So, what would be the size of our designing team?

Rajesh Mehra: Currently, we have around 40 people who are into the product development team, design and product development.

Moderator: Next question is from the line of Ashish Soni from Family Office.

Ashish Soni: So, regarding this growth plan, is it backed by a confirmed contract with the customer or it's only right now your ambition?

Rajesh Mehra: We have, like we are providing this sketch to store business. So, the GTM, that's the go-to market process for starting from the concept stage and to the delivery, it takes 15 months. So, at any given point of time, we have a visibility for the next 15-month business. So, we have a clear visibility that in FY '26, we'll be doing a turnover of INR400 crores. Because all the designing has already been started, the forecast number has already been in place with us from the brands.

Ashish Soni: And in terms of the spec-driven excellence in slide 40, can you explain like what is different thing you are doing, like you said AI-powered design, smart manufacturing and data-backed marketing. So, what are the new things you have tried or implemented in last one or two years?

Rajesh Mehra: First, we started with the 3D and once we get a design brief and my team starts co-creation with the brand design team, then the first presentation is on the 3D presentation, which is without wasting any raw material and without consuming any time for the manufacturing or 3D office. So, on the 3D design, the customer selects and creates the final line and then it goes to the making first photos and other things where the actual time is consumed. This is the first part and all latest softwares we are using in this.

Then we are using also a software which is a tech-enabled where brand design team who is sitting in, say, UK or USA and they are also having the same software and they open and if they do want to do any kind of corrections, simultaneously my design team doing the corrections on the screen. And if they say you have put the red color, now make it more redder or less redder. Every screen is pan-tone calibrated and you see the actual color of the fabric on the screen of the computer. So, it is very easy and very fast. Agility is there because no physical samples are going. When these all things are finalized, then it goes to the production.

This is the technological help what we are taking. As far as the artificial intelligence in the design you are concerned. So, we are mapping the data in our systems that what the brands are selling, which category they are selling more, because it is about the forecasting and we are doing it from last 20 years. So, that kind of experience and niche we have, whatever we forecast, we are sure that this much product will sell and contribute into their growth.

Ashish Soni: In terms of your revenue expansion, whatever you are selling you are talking about, is it including only existing customers or you are planning to onboard some new customers like Nike or some other customers like that, just an example?

Rajesh Mehra: We are already in talks with the negotiation with the other customers. Currently, we have 15 brands with whom we are doing business but negotiations are in the process with a few other globally customers to take them onboard for the upcoming bigger capacities.

Ashish Soni: Do you think you can reach like 5% PAT margin in next 2 to 3 years aspiration wise?

Rajesh Mehra: Yes, we are trying on it.

Ashish Soni: And what is our main competitor in this space in India? And are we getting benefits from Bangladesh, like movement or consolidation from our global brands?

Rajesh Mehra: Yes, we assume that Active won't have any competitor within -- no company in India is offering all services under one roof. Someone is offering only design, someone is offering only sourcing and someone is doing one category. Here, we are doing different, different categories also and giving one stop solution to the brand.

As far as your question about Bangladesh, yes, we got lot of inquiries after the Bangladesh disturbance and even all brands are moving out their business from China. So, we are getting lot of shift from China also and that is why the business is going up and we have already tied up our increased manufacturing capacities. Majorly 50% with this current brand and 50%

capacity will be allocated to the new customers with whom we are already under the negotiation process. Their audits are in process, some evaluations are going under.

Ashish Soni: And just one last question, this INR1,000 crores revenue aspiration, so does it require any land acquisition or something or do you think in existing facility, it is…?

Rajesh Mehra: No, no. Yes, it will require, it will require.

Ashish Soni: And approximately how much will be the capex for that, for INR1,000 crores revenue?

Rajesh Mehra: We will be requiring a capex -- this land, building and machinery would be roughly INR150 crores.

Moderator: Next question is from [Darmudhvij Patel from Finquest Capital 0:31:43].

Darmudhvij Patel: Sir, congratulations on a decent set of numbers. Sir, I had a couple of questions. Primarily, with the increase in capacity by 70%, what is the peak revenue that you can generate?

Rajesh Mehra: What you said? Can you repeat the question?

Darmudhvij Patel: With the, let's say we are increasing our capacity by 70%, correct? So, what is the peak revenue that our entire facility can generate?

Rajesh Mehra: Peak revenue?

Darmudhvij Patel: Yes.

Rajesh Mehra: That's INR500 crores.

Darmudhvij Patel: So, for our plans to achieve INR1,000 crores, do we have any other expansion plans coming up in the future?

Rajesh Mehra: Yes, definitely. There is an expansion plan already papered and everything is done. So, we will bring that expansion plan at the end of '26.

Darmudhvij Patel: Okay. And sir, currently, what is our export percentage?

Rajesh Mehra: 25% business is exports and 75% is our domestic.

Darmudhvij Patel: And sir, post our capacity enhancement, will the export percentage decrease or do you have any plans for that?

Rajesh Mehra: We are focusing more on export business because we will increase this export percentage and our ultimate target is 50-50; 50% domestic and 50% global business. Because most of the inquiries and customers who are brands who are sourcing from other parts like China and Bangladesh, so they are shifting their orders in India with those vendors whom their India office is already working. That's the upper edge we are having.

Darmudhvij Patel: Correct. And sir, you know, shoe uppers is a very interesting vertical. So can you throw some light on the opportunity size? And are there any companies that you are targeting after Adidas? Because Adidas is a very significant player in this space.

Rajesh Mehra: Apart from Adidas, Adidas takes about 75% of our capacity in shoe uppers, what we are doing. Apart from that, we are doing -- for Skechers, we are doing for Reebok, we are already doing for US Polo and now new developments are under process for Puma.

Darmudhvij Patel: Okay, sir. And, one last bookkeeping question. Sir, our cash conversion cycle seems a little stretched. So, is there any particular reason or is this a norm?

Rajesh Mehra: This industry goes like this only. The total cycle is about 200 to 220 days because 90 to 120 days we require, give the credit to the brand and 90 to 120 days depending on the product is the manufacturing cycle. From procurement of raw material till the dispatch, it takes 90 to 120 days. If it is a basic product, 90 days. If it is a value-added product, another 30 days value-added. So, this is the industry standards of your parallel manufacturing in sweaters or in outer gear.

Darmudhvij Patel: Got it. Thank you, sir. I'll get back in the queue.

Rajesh Mehra: Thank you very much.

Moderator: Thank you. Next question is from Line of Samarth from Krijuna Research. Please go ahead.

Samarth: Hello. Sir, thank you for once again the opportunity. Sir, in the manufacturing facility that we have, I would like to understand the value chain of the business, actually, that what, how many processes are we doing in-house and how many of them are exactly outsourced?

Rajesh Mehra: Nothing is outsourced. We buy yarn and deliver the garment. If knitting is done inside, washing, we have a bigger laundry, we have dyeing, garment dyeing, we have printing, everything is in-house. Embroideries, everything is in-house. Nothing goes outside the factory because the kind of brands with whom we are working, so they require a very strict standard of compliances. So, the factory has to be approved. So, we don't do any outsource or any subcontracting things. We don't do it. Everything is in-house.

Samarth: Okay. Now, when, sir, when I see that the current capacity that we have, it is already being utilized for sweaters is around 85%, T-shirts is around 50%. So, how much more can we do from the existing facility? And from the new facility, what would be the revenue that can we expect? And how fast it would be ramped up? It's like we already have the orders or we will first have the facility and then we will go for orders.

Rajesh Mehra: Yes, already new facility is under completion stage. So, building is almost complete. Paint work is going on. Once this is completed, the machinery will be installed and we are expecting to commission the new expansion by next 4 months' time.

Management: Sure. Samarth, this question has already been answered to Shaurya. We are asking the same facts.

Samarth: But, sir, I am asking about the ramp-up. Do we already have the orders or we will be waiting for orders after the capacity?

Rajesh Mehra: We have already booked the orders for the new capacity to come. As I explained, this process is 15 months from concept to delivery. So, we have all the visibilities in which month what we have to do, when the order will come, when the sample will go, when the production is required, when the delivery goes happen and when the goods go to the floor for sale. So, clear visibility is there.

Samarth: Okay. And, sir, in the last few quarters from June 24, when I see, the material cost has decreased significantly. So, what is the possible probable reason for that? Is it like that we are doing more of value-added or is it something else?

Rajesh Mehra: Value-added means different products like sweaters, t-shirts, jackets, different products what we are doing. So, depending upon the design, the cost of raw material changes. It can be 25%, it can be 40%, it can be 70%. Everything depends upon the product and the style what we are manufacturing.

Samarth: Okay. Thank you so much.

Moderator: I request to come back for a follow-up, please.

Samarth: Yes.

Moderator: Thank you. Next question is from the line of Bhuvan MG from Tiger Assets. Please, go ahead.

Bhuvan MG: Thank you for the opportunity, sir, and congrats on good set of numbers. My first question is, as you have been awarded as T1 supplier from Adidas and Puma, how much part of revenue and growth do you see contributing from these two companies? And can you throw some more light on the agreement?

Rajesh Mehra: In the year 1, we are expecting from these companies INR10 crores to INR15 crores of business when we are on their T1 board and that is all about outerwear business from Puma.

Bhuvan MG: Okay. What about Adidas?

Rajesh Mehra: Adidas, we are currently developing the new category like denims, beanies, and gloves for them.

Bhuvan MG: Sir, can you also throw some light on order book?

Rajesh Mehra: Order book, currently, if you see, we are having INR130 crores approximately orders. Out of INR130 crores, INR40 crores, INR45 crores are from the global market and rest are from the domestic market. Getting the orders is a continuous process. Once your collection is complete, it is presented to the buyer, buyer selects the line, and then you make the sample.

It is a continuous process. Some brands run four seasons, some brands run six seasons also in a year. Like gas, we are working. So, we are working gas for the globally and gas is running six seasons. So, every 2 months, orders come. Every 2 months, new collection goes.

Bhuvan MG: Okay. Sir, one last question. As you said, post-expansion, you will be focusing on export orders. Mainly, our market would be U.S. and Europe. So, with the recent development on tariff of reciprocal tariff from U.S. administration, what is your opinion on that and how it would affect us?

Rajesh Mehra: Since you see, currently, India will be more benefited from these tariffs. As of now, the U.S. Government is not considering to put something on India. But if something comes also, even then, at that time, we will be more competitive than the other manufacturing nations. If, say, Mexico is the largest exporter to USA, so 25% tariff is increased. So, China, again, 10%, 15% tariff is there. And moreover, they are moving on.

This is all strategic decisions by the brand to move out from China. And with the recent visit of Prime Minister Modi, they have discussed more about the business contracts, business relationship, and the balance of currency business by importing more goods from U.S. So, we think that tariffs in America will not affect us.

But on the other hand, my current business in U.S. is very, very small. We are operating in 30 countries. And majorly, they are from European market and other markets, Canada, Mexico, like that. Even Asian countries, we are exporting sweaters to China also.

Bhuvan MG: Okay, that's good to hear. And then, sir, can you provide any margin guidance?

Rajesh Mehra: Margin guidance, we have already, I think, told in the first question when they asked me, that our bigger turnovers would help us in increasing our margins because our overhead will be separated and the additional customer portfolio, the new product developments, value-added product developments, all these will help in building up the more margins percentage.

Bhuvan MG: Sir, can you give us any quantitative number?

Rajesh Mehra: Our target is net profit post-tax is 5%.

Bhuvan MG: Okay, sir. Thank you and all the most.

Moderator: Thank you. Next question is from the line of Pratik from KamayaKya Wealth. Please go ahead.

Pratik: Thank you for the opportunity once again, sir. Today's question has been answered, but I will raise it in another manner.

Rajesh Mehra: Pratik your voice breaked.

Pratik: Sir sorry. Is it okay now?

Rajesh Mehra: Yes.

Pratik: So, I do see that on the balance sheet, we have almost INR72.8 crores of equity and reserves, but the short-term borrowings are almost INR92 crores. So, is it the nature of the business and are these borrowings expected to increase further as our businesses grow or can it come down?

Rajesh Mehra: This is the nature of business, as I explained that the total cycle is between 200 to 220 days, where 90 to 120 days, depending upon the product-to-product is required for the manufacturer of the product, and 90 to 120 days is credited into the market.

Pratik: Okay, sir. Thank you.

Moderator: Thank you. Next question is from line of Ankur Gulati from Genuity Capital Markets. Please go ahead.

Ankur Gulati: Sir, can you tell us a little more about your relationship with Levi's and how it all started?

Rajesh Mehra: We met with Levi's in 2002, a 22 year old relationship.

Ankur Gulati: And you are doing manufacturing and distributing for them as well, correct?

Rajesh Mehra: We do both. We do marketing and manufacturing as well.

Ankur Gulati: So sir distribution and marketing how much revenue it will be?

Rajesh Mehra: INR75 crores total overall what we are doing.

Ankur Gulati: Out of INR250 crores annual from that INR75 crores is distribution?

Rajesh Mehra: This year we are targeting INR300 crores business out of that INR75 crores could be from marketing business.

Ankur Gulati: It will be from Levis?

Rajesh Mehra: No all brands put together whatever we are doing.

Ankur Gulati: And all these shops you are owning?

Rajesh Mehra: We do not run.

Ankur Gulati: So what we have we have license to distributing certain geographies?

Rajesh Mehra: Yes.

Ankur Gulati: And sir if you don't mind this is what geography, is it only Northern India or Pan India?

Rajesh Mehra: No it is not Pan India it's the regional we are covering states from Punjab, Himachal Pradesh, J&K and Chandigarh. This is upper North of India.

Ankur Gulati: And, sir, in this segment, how much is your retail margin?

Rajesh Mehra: Approximately, if we talk about from the retail point, so the gross margin comes to about 8% to 9%.

Ankur Gulati: And, sir, earlier you said that you will send designs to, let's say, all these clients. If they approve the design then they give the order. So, God forbid, if the design is not approved, then what?

Rajesh Mehra: Then we keep on making new designs. But whenever we are developing it, I use the word co-creation. So, every time we are getting into the activity, we are meeting with the design teams also. It's a joint exercise what we do.

Ankur Gulati: And, sir, in this how much is your gross margin?

Rajesh Mehra: It depends upon product to product. It comes to 15, it comes to 12. It depends on product to product.

Ankur Gulati: So, compared to distribution business, you are getting 5% to 6% extra?

Rajesh Mehra: Yes.

Ankur Gulati: And, incrementally your target is INR500 crores. In that, will the distribution grow or only the manufacturing?

Rajesh Mehra: We are growing the manufacturing.

Ankur Gulati: So, in distribution whatever INR70 crores, INR80/

Rajesh Mehra: It will be organic growth.

Ankur Gulati: Okay. All right. Thank you sir. All the best.

Moderator: Thank you. Next question is from the line of Micky Jaiswal Individual Investor. Please go ahead.

Micky Jaiswal: Sir, I wanted to ask that your purchase of stock and trade what is this exactly like, aren't we consuming all the material in-house?

Rajesh Mehra: Yes, we do.

Micky Jaiswal: So, this purchase of stock and trade, like in this quarter around INR45 crores, what is this exactly, sir?

Rajesh Mehra: For marketing purpose that is stock and trade.

Micky Jaiswal: But we haven't manufactured it ourselves, right? I mean, we are taking it and selling it?

Rajesh Mehra: No, we take it and sell it. And in stock and trade my WIP will also come. My WIP will also come. My finished goods will also come.

Micky Jaiswal: Okay. And, sir, one last question. Sir, like in the export side are we working with Levis or are we only working with Levis in India?

Rajesh Mehra: No, global also we works with Levis. Then in export if we see, we are working with Tchibo. Tchibo is one of the very big companies from Germany. Then, we are working for George which is Walmart-owned. Then, we are working with Next. We are working with Linen Squad, we are working with Skechers. So, all these brands, we are working with them globally.

Micky Jaiswal: So, sir, you just said that 50-50 is our target for export and domestic. So, in this, sir, the existing brands, Levis or whatever name you mentioned, sir, are we planning to grow our business with them?

Rajesh Mehra: No. We are planning to grow with them as well and, new customers are also getting on board. I have already told you.

Micky Jaiswal: Yes sir. Thank you sir.

Madhav: Firstly are their initiatives focussed into energy efficiency

Moderator: Madhav your audio is not clear. We can hear you but it's clear. Can you speak a little louder, please?

Madhav: My questions is are their initiatives focussed on improving energy efficiency and utilization that we are speculating.

Management: Not audible again. We cannot hear.

Madhav: My question was are there any initiatives focus on improving energy efficiencies and resource utilization?

Rajesh Mehra: Yes. We have already commissioned last month a solar power plant which is 15% of my current contract demand from the power.

Madhav: Okay. My next question would be, what role does automation play in your production process? And how are you leveraging technology to improve efficiency and reduce cost?

Rajesh Mehra: Yes. The kind of machinery that we are having with us, all are fully computerized machines. We are buying the machines ratio is drastically got down. And as can be values we can easily see on the screen. Each machine is linked on a LAN and it can be controlled from one room. So, the plant we have latest from Germany, stored in Germany and Shimazaki Japan. So, this is the latest machinery in this category what is available presently and globally, we have.

Madhav: Yes, I see.

Rajesh Mehra: As anywhere sitting in the world, we can see which machine is stopped, which machine is running.

Madhav: Okay. Thank you. That's it from my side.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as a last question. I now hand the conference over to Ganesh for closing comments.

Ganesh Nalawade: Thank you everyone for joining the conference call of Active Clothing Limited. If you have any further queries, you can write us at research@kirinadvisors.com. Once again, thank you everyone for joining the conference.

Moderator: Thank you very much. On behalf of Kirin Advisors Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

Rajesh Mehra: Thank you very much all.