



# PEARL GLOBAL INDUSTRIES LIMITED

**Q1 FY17  
RESULTS UPDATE**  
August 2016

Private & Confidential

## SAFE HARBOR STATEMENT

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*These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Pearl Global’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of Pearl Global. In particular, such statements should not be regarded as a projection of future performance of Pearl Global. It should be noted that the actual performance or achievements of the company may vary significantly from such statements.*

## DISCUSSION SUMMARY

- Q1 FY17 Results Analysis
- Consolidated Financials
- Company Overview
- Business Outlook
- Future Growth Opportunity – E-Retail Initiative “SBUYS”
- Shareholding Structure

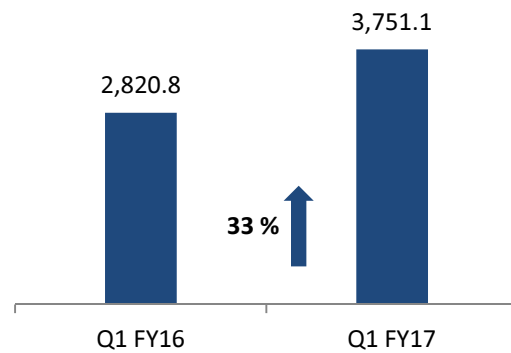


# Q1 FY17 RESULT HIGHLIGHTS

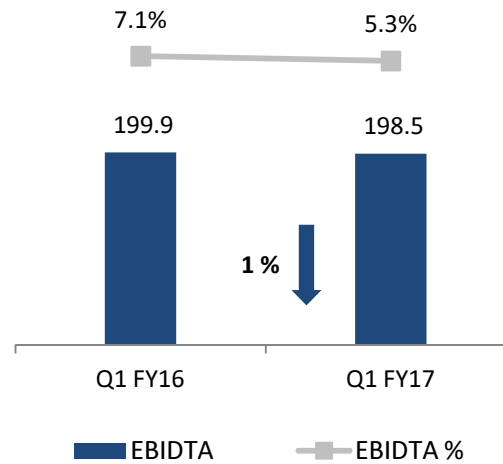
In Rs Mn

## Q1 FY17 YoY ANALYSIS

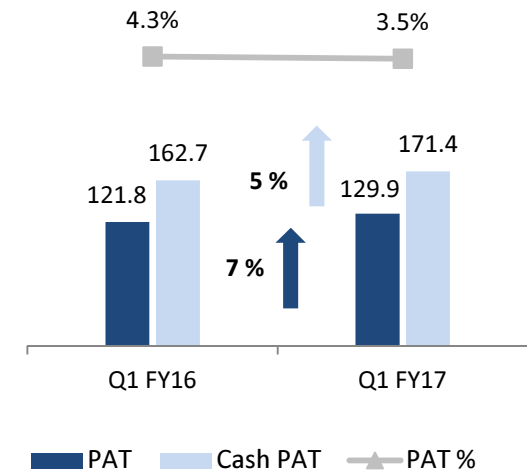
### REVENUES



### EBITDA & EBITDA MARGIN %



### PAT & PAT MARGIN %



## Q1 FY17 RESULT ANALYSIS

### FINANCIAL UPDATE:

- Q1 FY17 revenues increased by 33.0% YoY driven by strong growth in demand.
  - Overall capacity utilisation improved from 70% in Q1 FY16 to 75% in Q1 FY17.
  - All three manufacturing facilities – India, Bangladesh and Indonesia, witnessed strong activity.
  - In Bangladesh, the company had to rely on outsourced manufacturing facilities (pre-approved by customers) for executing the increased number of orders on time and meeting strict delivery schedules.
- Q1 FY17 gross margin declined YoY from 47.3% to 45.9% primarily due to higher share of traded goods procured from outsourced manufacturing facilities in Bangladesh as discussed above.
  - The amount of purchased goods increased from Rs 118.3 mn in Q1 FY16 to Rs 432.5 mn in Q1 FY17. Since the gross margin on traded goods is around 5%, the overall gross margin declined.
- Q1 FY17 EBITDA marginally declined by 0.7% YoY. EBITDA margin declined from 7.1% to 5.3%.
  - Employee expenses increased as the company is currently adding workforce as a part of its expansion at Gurgaon and Chennai.
  - Other expenses increased due to –
    - Higher manufacturing (conversion) costs in proportion with higher revenues
    - Additional overheads as a part of expansion at Gurgaon and Chennai
    - Higher overheads at newly commissioned Bangalore facility which is in process of getting stabilised
- Q1 FY17 interest expense declined by 11.5% from Rs 56.1 mn to Rs 49.7 mn.
- Q1 FY17 PAT after minority interest increased by 6.6% YoY.

## CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (In Rs Mn)	Q1 FY17	Q1 FY16	YoY %	FY16
<b>Total Income from Operations</b>	<b>3,751.1</b>	<b>2,820.8</b>	<b>33.0%</b>	<b>13,934.2</b>
Cost of Goods Sold	2,028.8	1,487.7	36.4%	7,931.2
Cost of Material Consumed	1,569.4	1,489.1	5.4%	6,031.0
Purchase of stock-in-trade	432.5	118.3	265.7%	1,834.0
Changes in FG inventories, WIP and stock-in-trade	26.9	-119.7	122.5%	66.2
<b>Gross Profit</b>	<b>1,722.4</b>	<b>1,333.1</b>	<b>29.2%</b>	<b>6,003.0</b>
<b>Gross Margin %</b>	<b>45.9%</b>	<b>47.3%</b>	<b>-134bps</b>	<b>43.1%</b>
Employee Expenses	577.3	473.6	21.9%	2,063.2
Other Expenses	946.6	659.6	43.5%	3,333.9
<b>EBITDA</b>	<b>198.5</b>	<b>199.9</b>	<b>-0.7%</b>	<b>605.9</b>
<b>EBITDA Margin %</b>	<b>5.3%</b>	<b>7.1%</b>	<b>-179bps</b>	<b>4.3%</b>
Depreciation	41.5	41.0	1.3%	168.6
Other Income	67.3	48.6	38.4%	251.8
Finance Cost	49.7	56.1	-11.5%	205.5
<b>PBT</b>	<b>174.6</b>	<b>151.4</b>	<b>15.3%</b>	<b>483.6</b>
Exceptional items	0.0	-1.2	-	-10.9
Tax Expense	39.9	33.8	18.1%	107.3
<b>PAT</b>	<b>134.7</b>	<b>116.4</b>	<b>15.7%</b>	<b>365.4</b>
Share of Profit/Loss of associates	-	-	-	-
Minority Interest	-4.8	5.4	-	1.3
<b>PAT after minority interest and share of profit of associate</b>	<b>129.9</b>	<b>121.8</b>	<b>6.6%</b>	<b>366.6</b>
<b>PAT Margin %</b>	<b>3.5%</b>	<b>4.3%</b>	<b>-86bps</b>	<b>2.6%</b>
<b>Earnings Per Share (EPS)</b>	<b>5.99</b>	<b>5.62</b>	<b>6.6%</b>	<b>16.92</b>

## CONSOLIDATED BALANCE SHEET STATEMENT

Particulars (Rs Mn)	FY15	FY16
<b>Share Holders' Funds:</b>		
Equity share capital	216.6	216.6
Reserves and Surplus	2,957.6	3,242.2
<b>Total of Shareholder funds</b>	<b>3,174.3</b>	<b>3,458.8</b>
<b>Minority Interest</b>	<b>98.4</b>	<b>94.4</b>
<b>Non-current liabilities:</b>		
Long term Borrowings	138.9	193.2
Deferred tax liabilities (Net)	-	-
Other Long Term Liabilities	413.3	405.6
Long Term Provisions	46.8	63.1
<b>Total of Non-current liabilities</b>	<b>599.0</b>	<b>661.9</b>
<b>Current liabilities:</b>		
Short-term borrowings	1,459.9	1,743.3
Trade payables	1,658.2	1,822.2
Other current liabilities	292.1	464.4
Short-term provisions	60.6	1.2
<b>Total of Current liabilities</b>	<b>3,470.8</b>	<b>4,031.1</b>
<b>Total Assets</b>	<b>7,342.5</b>	<b>8,246.3</b>

Particulars (Rs Mn)	FY15	FY16
<b>Non-current assets:</b>		
Fixed Assets	2,076.2	2,150.2
Goodwill on Consolidation	83.2	56.1
Non-current investments	0.5	0.6
Deferred Tax Assets (Net)	27.3	38.8
Long-term loans and advances	431.8	343.0
Trade Receivables	15.5	7.7
Other non-current assets	36.2	25.8
<b>Total non-current assets</b>	<b>2,670.8</b>	<b>2,622.1</b>
<b>Current assets:</b>		
Current Investments	111.8	192.2
Inventories	1,747.7	1,737.9
Trade receivables	1,193.2	1,806.7
Cash and bank balances	944.0	1,307.5
Short-term loans and advances	389.2	394.3
Other Current Assets	285.8	185.5
<b>Total Current Assets</b>	<b>4,671.7</b>	<b>5,624.1</b>
<b>Total Assets</b>	<b>7,342.5</b>	<b>8,246.3</b>

## COMPANY OVERVIEW

### Business Overview

- The erstwhile business of Pearl Global consisted of manufacturing, trading, marketing & distribution and exports of readymade garments.
- The Company decided to segregate its global marketing, sourcing & distribution business from its garment manufacturing business. The Scheme of Demerger of M/s PDS Multinational Fashions Limited from M/s PGIL was approved by Hon'ble High Court at Delhi on May 13, 2014.
- The existent company is purely engaged in manufacturing and exports of readymade garments.

### Multi-Location Multi-Product Capabilities

- Well-diversified and de-risked manufacturing base across India, Indonesia and Bangladesh.
- Capacity of around 5.18 million garments per month (including own and outsourced facilities).
- Broad product range - knits, woven and bottoms (basic and complex designs) across men, women and kids wear segments.

### Strong Global Clientele

- Single preferred vendor meeting various product requirements of its customers. This further enables it to expand its business from existing customers.
- Global Clientele - 23 retailers with major thrust in USA and Europe, e.g. GAP, Banana Republic, Kohl's, Macy, Ralph Lauren, Tom Tailor, Next, Primark to name a few.

### SBUYS New E-Retail Initiative

- Forward integration into online fashion apparel retailing under the brand "SBUYS".
- Offer in-house online retail portal "SBUYS.IN".
- Leverage leading online retail platforms like Flipkart, Snapdeal, Jabong, Myntra, Fashion and You, Hopscotch, Amazon etc.



# GLOBAL SOLUTION PARTNER TO THE WORLD'S APPAREL INDUSTRY

Presence in UK / USA, through which we provide better market intelligence and higher service levels at retailer's door step.

NEW YORK

Excellent infrastructure for sampling and product design. Exclusive facilities with over 9,000 dedicated machines. 75 experienced designers working across India, HK and Indonesia.

UNITED KINGDOM

DELHI

DHAKA

HONKONG

JAKARTA

BANGALORE

CHENNAI

INDIA	BANGLADESH	INDONESIA
High fashion and value added products at quick turn around with competitive prices	Basic and Fashion basic products at compelling prices from our 100% owned facilities	Clean, career products at competitive prices with advantageous lead times

# MULTI-COUNTRY MANUFACTURING PRESENCE

## Global Manufacturing Facilities & Capabilities



### INDIA

- Core centre for cotton fabrics.
- Specialization in handmade wovens & knitwears.
- Strong industry backward linkages.
- Easy availability of low cost labour, abundant raw material supply and stable political scenario .



### BANGLADESH

- Core centre for knitwears.
- Large and highly skilled apparel workforce.
- Most competitive cost structure.
- Strong industry backward linkages.
- Excellent quality stitching and garment washing capabilities.



### INDONESIA

- Core for cotton & synthetic fabrics.
- Highly skilled craftsmanship.
- Faster lead time than Bangladesh.
- Strong industry backward linkages.
- Low labour costs, stable political scenario, raw material availability, strict labour regulations.

## RECENT STRATEGIC MANOEUVRES TO ENABLE PEARL GLOBAL TO BUILD A MORE EFFECTIVE SUPPLY CHAIN FOR ITS CLIENTS

- Pearl Global's new Bangladesh factory was set up recently with in-house knitting.
- Pearl has entered into strategic commitments with best dyeing mills in Bangladesh for dedicated capacities.
- Pearl India formed a strategic partnership with large North India mill for cotton and rayon fabrics. We have committed to 1.0 million yards per month.

# VERTICALLY INTEGRATED MANUFACTURING

## VERTICALLY INTEGRATED MANUFACTURING CAPACITY

Location	Products	Factories	Machines	Total Capacity Mn Pieces / Month
North India	Woven Soft Sep	2	1,800	0.65
Indonesia	Woven Soft Sep	2	1,100	0.35
South India	Woven Soft Sep	5	1,600	0.43
Bangladesh	Woven Soft Sep	1	400	0.20
<b>Total Woven Soft Separates</b>		<b>10</b>	<b>4,900</b>	<b>1.63</b>
North India	Knits	1	1,100	0.60
Bangladesh	Knits	2	1,000	1.00
<b>Total Knits</b>		<b>3</b>	<b>2,100</b>	<b>1.60</b>
Bangladesh	Woven Bottoms	1	1,000	0.30
Bangladesh	Woven Bottoms	1	1,000	0.30
<b>Total Woven Bottoms</b>		<b>2</b>	<b>2,000</b>	<b>0.60</b>
<b>Grand Total</b>		<b>15</b>	<b>9,000</b>	<b>3.83</b>

### EFFECTIVE SUPPLY CHAIN MANAGEMENT

- Strategic tie-ups with dyeing mills in Bangladesh.
- Strategic tie-ups with rayon and cotton fabric mills (1.0mn yards/month) in North India.

### HIGH QUALITY PROCESSING INFRASTRUCTURE

- In-house hand-work setup in North India.
- One of the largest in-house embroidery capacity with 500 installed heads in North India and another 100 installed heads in Bangladesh.
- In-house washing capacity 50,000 pcs/day in North India & 35,000 pcs/day in Bangladesh.
- Garment dyeing facility with a capacity of 10,000 pcs/day in Bangladesh.

**All facilities are fully compliant with local health, safety & labour regulations.  
All facilities are approved by top retailer customers.**

# MULTI-PRODUCT OFFERINGS

**MULTI-LOCATION PRESENCE PROVIDES AN COMPETITIVE EDGE TO MEET THE COMPLEX & DIVERSE PRODUCT DESIGN REQUIREMENTS OF THE LEADING GLOBAL RETAILERS**

Pearl Global's Diverse Presence and Product Specialisations	
Region	Product Offering Specialization
India - Rajasthan (Access through third parties)	➡ Handblock printing, hand embroidery, bead work
India - NCR, Delhi	➡ High fashion cotton knitwear & wovens
India - Bangalore & Chennai	➡ Basic & fashion wovens & knitwear
Bangladesh	➡ Knitwears, basic shirts, jackets, bottom weights
Indonesia	➡ High fashion polyester knitwear & wovens

**Garment manufacturing skills are highly region specific**

**Pearl Global's value addition offerings:**

- Machine and handmade embroidery, hand work, bead work, tie & dye designs, printing, garment washing, garment dyeing etc.

## APPROVED VENDOR TO GLOBAL BRANDS



ANN TAYLOR NORDSTROM

PRIMARK®

next



BANANA REPUBLIC



GANT

Bershka



celio\*

Target Australia

# BUSINESS OUTLOOK

## Preferred Vendor to Global Brands & Retailers

- Multi-product offerings, multi-location diversified & vertically integrated manufacturing base, strong design capabilities and strong quality compliance systems.

## Asset Light & Scalable Business Model

- High operational flexibility & scalability as the manufacturing operations can be quickly scaled up / down in response to changing apparel demand scenario.
- Optimal capacity utilisation can generate high ROCE.

## Focus on Improvement in Capacity Utilisation

- Capacity Rationalisation through diversification into new geographies:
- Focus on diversifying into other geographies like Australia, UK, Germany, Canada, Mexico, Chile, South Africa.

## Capacity Expansion Plan

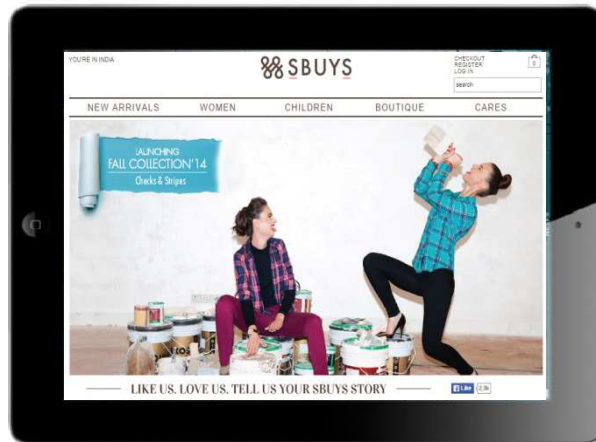
- Expanded capacities in Chennai and Bangalore to become fully operational in FY17.
- Diversify business risk and capitalise on improving global apparel demand.

## Future Growth Opportunity E-Retail Initiative "SBUYS"

- Forward integration into online fashion apparel retailing under the brand "SBUYS".
- Leverage strong knowledge of fashion apparels and offer latest trends and designs across womenswear and kidswear segments.

# FUTURE GROWTH OPPORTUNITY – E-RETAIL INITIATIVE “SBUYS”

**Pearl Global  
has forward integrated into  
online fashion apparel retailing  
under the brand “SBUYS”**



## SBUYS – E-RETAIL STRATEGY

### Business Growth Opportunity

- Forward integration into online fashion apparel retailing under the brand “SBUYS”.
- Online retailing is a high-growth space and offers strong potential to build a business model with healthy margin profile.

### Business Rationale

- Leverage its strong knowledge & understanding of fashion apparels –
  - Multi-location presence & multi-product expertise.
  - In-house design team.
  - Strong global apparel brand relationships.
  - Early insights into latest global apparel trends and designs across womenswear and kidswear segments.
- Offer international fashion clothing to Indian consumers at best possible prices.

### Business Strategy

- Offer in-house online retail portal “SBUYS.IN”.
- Leverage Tie-Ups with leading online retail platforms like Flipkart, Snapdeal, Jabong, Myntra, Fashion and You, Hopscotch, Amazon etc.



## SHAREHOLDING STRUCTURE

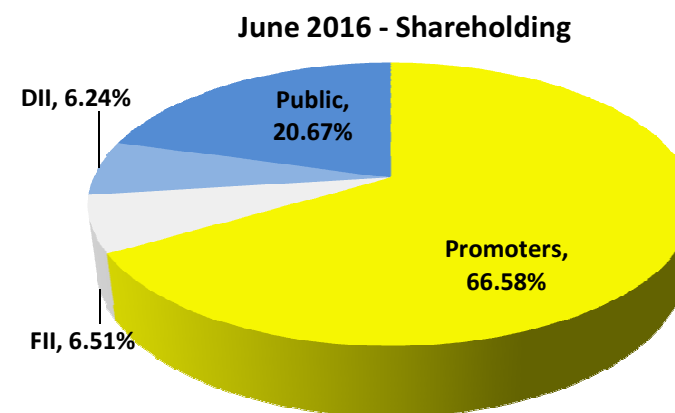
Shareholding %	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Promoters	66.58%	66.58%	66.58%	66.58%	66.58%
FII	6.51%	6.51%	6.58%	5.50%	5.53%
DII	6.24%	6.29%	6.29%	6.42%	6.42%
Public	20.67	20.62%	20.55%	21.50%	21.47%
Total No. of Shares (mn)	21.66	21.66	21.66	21.66	21.66

Source - BSE

Key Institutional Investors at March-16	% Holding
Premier Investment Fund	4.85%
Reliance Capital	3.76%
LTS Investment Fund	1.66%
GIC of India	1.18%
LIC of India	1.05%

Source - BSE

Market Data	As on 12.08.16 (BSE)
Market capitalization (Rs Mn)	4,631.7
Price (Rs.)	213.8
No. of shares outstanding (Mn)	21.66
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	184.0 – 259.0



Source - BSE

FOR ANY FURTHER QUERIES PLEASE CONTACT -

**THANK YOU**



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