"Pearl Global Industries Limited
Q2 & H1 FY2023 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2023 Earnings Conference Call of Pearl Global Industries Limited. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pallab Banerjee - Managing Director of Pearl Global Industries Limited. Thank you and over to you Sir!

Pallab Banerjee: Hi, good morning, and I welcome everyone to our Q2 & H1 of Financial Year 2023 Earnings Conference Call. Along with me we have our group CFO, Mr. Sanjay Gandhi and SGA our Investor Relations Advisors. I hope all of you have gone through our Investor Presentation uploaded on the exchange and our company website. I am happy to state that the growth momentum continued for us during the first half year of Financial Year 23 and we achieved a path breaking highest ever H1 revenue. Our capacity utilization has improved substantially which has increased the overall efficiency of our operations.

On the geographic mix of sales our overseas sales have grown on the back of increase in the unit value realizations while the domestic sales that means in India have risen both due to the increased volume and increase in the realization that we have done.With the backdrop of the macro challenges we have focused on the geographical diversity in our customer base. This should help us to maintain our overall business share and operational efficiencies. The demand environment in the US continues to be a bit challenging, but with growing preference of other geographies where Pearl Global is a supplier and also have a customer base, the input prices which have been subsiding quite significantly and the widespread geographic presence and the deep entrenched network that we have in our relationships with the marquee clientele it should help us in battling these tough situations.

As a strategy we are inputting new customers and market. We have been servicing the customers from multiple manufacturing locations and we continue to do that and that is definitely a strength that Pearl will be encashing upon. The US market specifically where we had a big share has been going up and down so like if you look at the last few months it seems to be little bit positive, the market has responded well, but whether it is going to stay or the inflation is going to win over that is only time will tell us, but yes for now as the first half of the year like we have shown significant growth, the second half of the year, our goal would be to maintain the kind of growth that we have had already so that we do not lose this market share and then pick it up as the market again improves so that should be our strategy going forward. With that let me hand over to Mr. Sanjay Gandhi, our Group CFO who will run us through the financial performance of the company.

Sanjay Gandhi: Thank you. Good morning everybody and welcome to our Q2 & H1 FY23 earnings conference call. Coming to the financial and operational performance of the Company we have reported the highest ever H1 performance. On a consolidated basis, H1 FY23 revenue increased by 53% Y-on-Y to Rs.1711.4 Crores on account of increase in overseas revenue by 30% and India by 60%. On a standalone basis, revenue for H1 FY23 stood at Rs.628.4 Crores, a growth of 62.7% over H1 FY22. Improved overseas business performance can be attributed to improved realisations whereas in India improved performance is a combination of increase in number of pieces shipped along with improved realisations. On a consolidated basis EBITDA for H1 FY23 stood at 119.6 Crores a growth of 106% while margins improved 180 bps year-on-year from 5.2% in H1 FY22 to 7% in H1 FY23. On a standalone basis EBITDA for H1 FY23 stood at 38.1 Crores a growth of 109.6% while margins improved 140 basis points year-on-year from 4.7% in H1 FY22 to 6.1% in H1 FY23. Adjusted PBT excluding exceptional items for H1 FY23 on a consolidated basis grew 201% from 25.9 Crores in H1 FY22 to 77.8 Crores in H1 FY23. We had an exceptional loss of 22.5 Crores in H1 FY23 versus a profit of 6.5 Crores in H1 FY22. On a standalone basis adjusted PBT grew 213.5% from 10.1 Crores in H1 FY22 to 31.8 Crores in H1 FY23. PAT for H1 FY23 on a consolidated basis stood at 62.3 Crores versus 24.8 Crores in H1 FY22 whereas on a standalone basis it was 23.6 Crores versus 12 Crores.

Coming to the quarterly performance, our strong financial performance during this quarter was yielded by substantial improvement in the India business on account of improved product mix, increased contribution from in-house manufacturing and partnership facilities. On a consolidated basis total income for Q2 FY23 increased by 26% year-on-year to Rs.860.3 Crores. EBITDA margin for Q2 FY23 improved from 5.9% in Q2 FY22 to 6.1% in Q2 FY23. For H1 FY23 EBITDA margin improved 180 basis points from 5.2% in H1 FY22 to 7% in H1 FY23. Margin improvement is on account of improved product mix, operating leverage and improved operational efficiency. Adjusting for the exceptional income PBT for Q2 FY23 grew by 38.4% to 32.4 Crores versus 23.4 Crores in Q2 FY22. We had an exceptional loss of 40 lakh in Q2 FY23 versus a profit of 6.5 Crores in Q2 FY22. PAT for Q2 FY23 stood at 25.9 Crores versus 25.5 Crores in Q2 FY2022. On a standalone basis revenue from Q2 FY23 grew 39% from 216.3 Crores to 300.5 Crores. EBITDA grew 75% from 9.4 Crores to 16.4 Crores. EBITDA margin improved 110 bps from 4.3% in Q2 FY22 to 5.4% in Q2 FY23. Adjusted PBT for Q2 FY23 stood at 8.1 Crores versus 4 Crores, a growth of 102% year-on-year. Q2 FY22 had an exceptional gain of 6.4 Crores. PAT for Q2 FY23 degrew from 7.6 Crores to 5.6 Crores. The reason for degrowth in that PAT for Q2 FY2022 includes the exceptional item of 6.4 Crores.

Our strong performance is reflected with our strengthening balance sheet. On a consolidated basis gross debt as on September 2022 stood at Rs.455 Crores versus 564 Crores as on March 2022. Net gearing ratio dropped from 0.69 to 0.4. Return on capital employed calculated on TTM basis improved significantly from 12.4% in FY22 to 20.4% in H1 FY23. Net working capital days reduced significantly to 40 days versus 63 days in FY22. Cash and cash equivalent increased significantly from 150 Crores in FY22 to 187 Crores as on September 2022. On a standalone basis, gross debt as on September 2022 dropped to 206 Crores from 260 Crores in March 2022. Net gearing ratio dropped to 0.45 from 0.57 as on March 2022. ROCE improved from 10.3% in FY22 to 16.2% in H1 FY23. Net working capital days as on September 22 dropped to 35 days from 62 days as on March 2022. Going ahead we are confident on the industry growth, and we believe that our company is best place to capture the larger pie of this opportunity. Thank you. We shall now open the floor for question and answers.

Moderator: Thank you. We will now begin the question-and-answer session. We have the first question from the line of Parth Vasani from K K Advisors. Please go ahead.

Parth Vasani: Hi, thank you for the opportunity. I had couple of questions. First one would be could you tell us what is our business mode and what differentiate us from our competitors?

Pallab Banerjee: Pearl has been positioned for multiproduct and multicountry manufacturing company, so we do various products right from woven tops, knit tops, dresses, bottoms, pants,denims, then we have got the outer wear, the active wear so that again brings in quite a wide amount of product for our customers. The strategic customers that have been working with us have been working in multiple products and they have been also using our multiple countries of manufacturing. So during the kind of the recent upheaval that we have had regionally whether during the pandemic or during the logistics challenges that we had this diversity of our operation phase that is out of Indonesia, Vietnam, Bangladesh and India has been a big strong strength that has been well appreciated by our customers and helped us in bringing our strategic ability with our customer base so that is I would say is a differentiator that we have. We also work very closely with our strategic customers, having our offices and design and product development teams located at the place of the major customer base that we have whether it is New York of USA, London in UK, and the cities of Barcelona and La Coruna in Spain. We also do have a presence in Hong Kong vis-à-vis our customers from there apart from the serviceability that we can do from each of our manufacturing locations so that is I would say is if you look at most of our Indian competitors like we have this edge. Of course there are some global competitors who have a similar kind of infrastructure, the big Taiwanese or big Korean player, so we do have competition from them, but so far we have bring in the value addition that those people do not have a presence in the South Asia. So we have South East Asia, South Asia both whereas most of the players, the international players have mainly in South East Asia that they have multiple country locations are. So this we consider as our strength in front of our customers and the eyes of our customers. Does that answer your question?

Parth Vasani: Yes, that was helpful. My second question was despite actually being a seasonally weak period we have delivered a highest ever H1 revenues so was that a result of prebooking of the orders and are we confident that this revenue trajectory going ahead?

Pallab Banerjee: Ya, so as I was mentioning like when we embarked this journey and presenting ourselves as a strategic player to our customer base giving them the service across multiple locations and the design service or product development service that was well appreciated and we definitely want to grow across the season. So while this has been a low season traditionally for the India region, but if you look at the markets like US markets and all fall and holiday seasons are bigger than the spring, summer, so India was a location especially for the fashion product so changing that particular outlook and providing them seasonless kind of product across the year so that we can produce for even those seasons, which India traditionally has not been doing is their additional advantage which we have seen so this definitely we would like to maintain in future.

Parth Vasani: What are the possible headwinds and tailwinds for our business if you can just give?

Pallab Banerjee: Yes, possible headwinds is definitely the global macro factors at this point of time was challenging or is challenging I would say, there were definitely inflations across the globe which is affecting the customer or the consumer sentiments so that is I would say is a biggest challenge at this point of time and coupled by that fact, that in our industry most of the retailers had an over inventory situation so although that the inflation is high we are already in the second year of inflation if you look at it globally. The first year of inflation we had almost everything was moving up the cost of whether it is energy, cost of housing, cost of consumer goods various across the spectrum was moving up. The second year of this inflation what we are seeing is that certain products like the clothing, like the home furnishings, or the product like used cars, like in the recent trend that we are seeing in the big markets like US and all has started trending opposite, so they were not growing or not having an inflation as per the other items so that definitely would bring unique challenge for our industry or our product, where overall their sentiment is still inflationary, but we won't be matching the rate of inflation, our clothing and home furnishings and those kind of goods will not be matching the inflationary trend that we see overall. So keeping that in mind we are also seeing the tailwinds things like the raw material prices are also falling at this point of time with a less demand and other factors that we have seen is the geopolitical situation, so which is not changing. Today is 14th I think today the world is not anymore a unipolar world, it is a bipolar world you know that now there is US and China both are competing at this point of time for supremacy and if you look at it today I think is the meeting between the two leaders for the first time in Indonesia so let us see how that goes. So far the sentiment says that this bipolar world is going to continue that means there will be a lot of policies and moves against China being the world factory so that means that the other producing regions of the world will have something to gain compared to China. So these are the couple of tailwinds that we have both in terms of raw material and in geopolitics that will continue to push us or be favorable to us so these are I would say the headwinds and the tailwinds that we have today.

Parth Vasani: Okay, thank you very much for the detailed answer and that was it from my side. Thank you.

Moderator: We have the next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Congratulations. Good set of numbers in a very tough circumstances and my question is on the fact that, so I am going through the consolidated P&L right so what I am seeing here is we have not deteriorated in the gross profit margin revenue in fact we have actually improved a bit so why the opex expense is so high that our EBITDA is getting impacted? Is there anything specific or is there anything one off to this quarter so I just wanted to understand that?

Sanjay Gandhi: Hi, There is no one-off as such we have in the opex in this particular quarter I think this quarter is having all operating expenses which are normally supposed to be in Q2 of the last financial year when we compare a like-to-like quarter-on-quarter comparison that is why you see the EBITDA margin is showing a slight improvement compared to the last year we had 5.9% in Q2 FY22 against 6.1% in Q2 FY23.

Vignesh Iyer: OIf like-to-like say the revenue from operation has gone up by 26% Y-o-Y but your other expenses is more than 33% if I get a rough estimate of it?

Sanjay Gandhi: The other expenses includes the manufacturing cost which we are subcontracting to our partnership factory so what happens that as the combination of in-house manufacturing and outside manufacturing goes high the other expenses will increase but when you look at as a percentage of the sales actually it is in proportion to what it was last quarter as we have mentioned that on a standalone basis the partnership factories are contributing 20% to the overall revenue as against 9% which was there in the last year so that is really causing that other expenses to go high from that point of view.

Vignesh Iyer: You mean to say like Re.1 increase in sale is Re.1 subcontracting expenses gets canceled out more or less you want to say right?

Sanjay Gandhi: Well in some day if the partnership factory's revenue is increasing there will be increase in other expenses there will be less increase in the employee expenses so you will see the other expenses will go high because we are doing more of a CNM model where we pay to the subcontractors or the partnership factory as the goods gets delivered to us. So there is no employee cost which are s incurred by us all the cost which we have incurred is kind of a manufacturing cost, the job work cost reflects in the other manufacturing expense.

Vignesh Iyer: Ok, So coming to the inventory level with our customers what is the status of it because if I am not wrong earlier you had said that they have been cutting down purchases by around 10% to 30%, but with the onset of winter strong winter if I may say so how is that the situation looks for December and January?

Pallab Banerjee: We had booked our spring season of 23 and now currently the booking is on for summer of 23 and then the next season would be coming is fall of 23. Now spring and summer of 23 was directly proportional to the sentiments that the western markets had in the spring and summer of 22 and the fall 23 bookings or the planning that will be happening over the next couple of months would be in proportion to the sentiments that we are having now in the market. So if I look at financials of the month of October so yes there is a little bit of positive trend as you know in USA which is one of the larger markets the consumer price index have come out / increased month-on-month by about 0.4% against the expectation of 0.6%. So definitely this drop of 0.2% has been celebrated I think you have seen that overall in the market. So let us see that might give that indication that how much of interest rate the fed would be increasing eventually and when they can be able to control it but it is too early to say. What we are seeing is that October more or less most of the retailers whom we are working with have been little upbeat compared to the earlier months. It is not a situation where we are really overjoying at this point of time. Yes they have lost significantly over the last few quarters and months, so yes some of them are coming very aggressively to the sourcing side to get the price benefits as the prices have come down, so definitely I would say the margin pressure would continue to be there, but in terms of the volume I think where they bought significantly down like up to 30%, 30% plus they were buying less I think coming fall we expect that it should be a lower number, they might still buy less compared to like I would say pre-pandemic or the last year on the surge that we saw in 2021-22 so compared to that definitely there would be less buy, how much not sure as of yet, maybe 10%, 15%, maybe 5% to 10% we do not know as of yet, but yes that is the kind of trending that we have seen which will be much more improved compared to the spring, summer but yes it will not be as good. Keeping that in mind so that is why like our strategies have been to not completely dependent on only one market or one customer so this is the time that we can bring in more customers in our mix, diversify the market like the other markets like Japan or UK or Europe to increase our percentage share in those markets so those are the strategies that would be countering this trend that is happening in US.

Vignesh Iyer: what is our exposure to Europe as a percentage of total sales?

Pallab Banerjee: It used to be much better like before pandemic it was in the range of if I would say more towards 65:35 US and non-US, so during the pandemic time and this strength that US market had of online, etc., so it went up, so naturally like the US become much stronger our share in US went up to almost like 80% so we are definitely coming back to the trend of 65:35 that is our wish list. Currently I would say Europe if you are talking specifically of could be around 15% but it should go up in the next few seasons when we become much more normal and move towards that 65:35 or even 60:40 if I look at the US and non-US.

Vignesh Iyer: Even 15% of your exports total exports, right?

Pallab Banerjee: Yes, like if you talk of this last quarter that is the kind of number it should be.

Vignesh Iyer: Right and coming to the part of your raw material prices from the gross profit margin it looks like it is more or less stabilized, so we do not have any inventory right, high cost inventory as such less than the book?

Sanjay Gandhi: No we don't have.

Vignesh Iyer: Ok Last question from my side I just want to know if you are going to revise your guidance for FY23 that you gave in Q1 which was around sales of 3,200 Crores and margin you said it should be around Q1 FY23 which I presume it is 7.5% roughly so is there any change in your guidance or it is going to still stick to it?

Sanjay Gandhi: The H1 actually have been a very phenomenal exceptional year for us, H2 ideally speaking with the like-to-like comparison like previous year should help us in buttressing the same kind of EBITDA margin; however, we are watchful of the trend which is emerging because of recession or fear or the subdued demand. Overall as we look at a full year basis we should improve EBITDA margin compared to what it was there in last year, we should be able to get a complete hang of it I think by end of December as to where we should have a complete full year picture but definitely there will be improvement compared to last year.

Vignesh Iyer: On the revenue as well as EBITDA right?

Sanjay Gandhi: Yes.

Moderator: Thank you. We have the next question from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Hi, sir just wanted to understand with this increasing base of revenue and the operational efficiencies kicking in and the utilizations kicking in yet our EBITDA margins are roughly still the same and we are not seeing an uptick is this because of the RM pressure and do we expect this to the normalize going into FY24?

Pallab Banerjee: The raw material price is fluctuating and in our industry like normally we pass on the raw material price difference to the customers so yes so that trend will continue. In terms of the efficiencies yes like if we are regularly with this growth and the kind of volume or the kind of capacity utilization that we are targeting towards year-on-year definitely the efficiency should be stabilizing and improving I would say.

Riddhesh Gandhi: Right now how much is the kind of capacity utilization which we are running at?

Pallab Banerjee: The H1 that we had was definitely 90% plus.

Riddhesh Gandhi: Got it understood so we are like 90% plus in terms of H1 and we expect H2 given we have probably got a reasonable amount of visibility in line with H1?

Pallab Banerjee: The kind of the growth that we had in H1 may not be there in H2 because of the market how it is nearing, so our focus would be to maintain the market share that we have had, the growth might slowdown, the topline might slowdown but whatever we have gained we should not be losing out that market share, again that as the market normalizes then we should again grow so that is the kind of strategy that we would have.

Riddhesh Gandhi: Roughly 800 Crores of the revenue run rate is something we think we can maintain into H2 as well?

Sanjay Gandhi: Yes, we are hopeful of that as I said for the full year basis we should be showing growth in terms of the topline and the bottomline and the improvement in the EBITDA margin as well. This is where the situation is looking like Q3 should also show similar kind of a number as we achieved last year so roughly around the same 750 to 800 Crores should be the quarterly run rate.

Riddhesh Gandhi: EBITDA I think the last year we did roughly I think if I recall at about 8% EBITDA margin so this year we are tracking slightly lower at about 6% so do we expect to close this year above 8% so effectively H2 would have reasonably higher EBITDA margins?

Sanjay Gandhi: I think last year EBITDA excluding other income was close to 5% and if we include the other income we may be close to the percentage which we just mentioned but when we look at EBITDA we are looking at excluding other income so excluding other income last year it was around 5% we should see an improvement in this percentage on an overall basis for the full year.

Riddhesh Gandhi: Just to understand obviously the EBITDA margins of the company obviously depends a lot on to the product mix as well given what our product mix is in terms of if you look at FY24-FY25 how high can we go to in terms of EBITDA margins?

Sanjay Gandhi: So our goal is to reach the double digit EBITDA I think in coming quarters now whether it is FY25 or mid of FY25 it is as you rightly said it is a combination of the product mix and also the macro factor getting stabilizing and then stabilizing in our favor in that sense so it should be, we are targeting towards 10% that is where we are heading.

Riddhesh Gandhi: This is the last question, If we look at obviously as we have been indicating the overall potential of a recession next year in the US and we still feel that we will be able to maintain our revenue given some amount of gain in share from other let us say countries and companies?

Sanjay Gandhi: Yes, that is where all the effort is going towards.

Riddhesh Gandhi: Alright thank you I will join back the queue.

Moderator: Thank you. We have the next question from the line of Ashay Jain from Jain Capital. Please go ahead.

Ashay Jain: Hi, I have few questions. Starting with on the margin front so how did you manage to deliver such good margins despite an increase in revenue from partnership facilities and will margins not affect going forward assuming contribution from partnership facilities improved?

Sanjay Gandhi: You see the H1 margin improvement has been largely because of the product mix we have that is where the USP of Pearls comes into while we are expanding to the partnership factory to get maybe at a slightly lower margin at the same time our factories in Vietnam, Indonesia are in high end categories outer wear segments where the FOB price which is a realization per piece has been increasing at least in some products while it has been 75% to 80% growth compared to what it was last year. So when you look at a basket of all the product put together overseas and India, Bangladesh, Vietnam and Indonesia that give us an edge in terms of really balancing our capacity utilization across the group and at the same time meeting the customer requirement also for the different kind of a style and different segment they also want to cater to.

Ashay Jain: Secondly, Are we looking to expand in any other geographies?

Pallab Banerjee: Yes, we would be I had mentioned that in some of our earlier calls that we want to bring in a complete supply chain solutions to our customers so currently we are present in two of the major supply chains of apparels. So we would continue to explore the other geographies and as refined as we gain feet like we will definitely expand to the third and the fourth supply chain at some point of time.

Ashay Jain: Lastly what are the inefficiencies that we have actually worked upon and parameters we are working to improve or sustain our margins going forward?

Pallab Banerjee: So At the factory level definitely automations, the man machine ratios, the kind of the capacity utilization, those are like very important, simultaneously like what kind of rejections, what kind of inventory control that we have tracking it, digitization of our factories, so some of those initiatives are fully on in organizations also. We have monitored our performance parameters continuously and that has become a rigger in the organization which you are saying slowly some input or some of the improvement in the numbers so as we gain that strength these numbers would also improve further. On the other front definitely the market does demand more recyclable energy, the renewable energy or the kind of chemical efficiencies those are also the areas where the company is continuously looking into for improvement so that also would benefit us in the coming quarters. So I would say these are the two major changes that is going across the organization.

Ashay Jain: Understood that is all from my end. Thank you.

Moderator: Thank you. We have the next question from the line of Akash Mehta from Capaz Investments. Please go ahead.

Akash Mehta: Good morning Sir, I have two questions on the customers and the capacity utilization, so first on the customers who are the new customers that have joined our kitty over the last quarter or half year?

Pallab Banerjee: We have a strict policy in terms of inputting our customers so normally the customer has to be that means there should be insurance factoring will be available, so we are not bringing in any risky customers, we are going for the kinds of customers where we do have the insurance or the factoring completely available.

Akash Mehta: Ok and Would there be any inventory pileup on the customers end and how would that affect us?

Pallab Banerjee: The kind of customers that we are talking about are the people like who are the major retailers across the globe, so as I said like otherwise this insurance, or the risk mitigation is not possible. There are customers who have very good names in the market may be like in terms of fashion and all but the financials are not okay so naturally those are the customers like we are although the opportunity exist, but we are not getting into. At the same time there are other big retailers have consistency of performance in the market and being transparent those are the ones like where the insurance and the factoring is available. So, our growth would be limited to them in terms of how we moved ahead. In terms of these customers when they buy so I think you can expect them to be better in terms of their inventory management, of course like this particular year has been bad even like the big guys like Walmarts and Targets also have created inventory issues in the supply chain. Fortunately for us we do have a little bit of pack and hold from one or two of our customers but the numbers are not that significant and we do not expect it to continue going forward.

Akash Mehta: On our capacity utilization presently how much you expect the revenue from the partnership facility scale up going ahead?

Pallab Banerjee: Partnership facilities the whole model of partnership facility for Pearl has been to avoid capex so once we see a regular business in terms of once we have grown and added more numbers into us so then we can slowly remove that kind of partnership and making to our own factory so that should be the strategy that would be going forward and we would continue to play like that so the initial growth when we are having definitely it benefits us by working with the partnership factory so that before our capex we can be make sure of how much of capacity would be utilized. So if we look at it the first half of the quarter and the last year like we had a significant growth in our business volume so there the advantage of partnership **facility will be there. As we go closer to the end of the year,**it will be more of consolidation mode I do not see any increase in the partnership factory at this point of time over the next five to six months to a year, what we have already we will continue to utilize that and some of it also we will try to **(audio cut)** to get the maximum advantage of this business. I hope that replies what you are looking.

Akash Mehta: Right, That is helpful. Thank you so much.

Moderator: Thank you. We have the next question from the line of Prachi Sharma an individual investor. Please go ahead.

Prachi Sharma: I just have a couple of questions. Firstly being can you throw some light on the growth drivers of the business going ahead, what give you the confidence of the strong order book?

Pallab Banerjee: Sorry the second part of the question can you repeat.

Prachi Sharma: What give you the confidence of a strong order book?

Pallab Banerjee: As I said like Pearl is very strongly positioned with our strategic customers because we are supplying multiple products from multiple locations so that gives us the confidence. Our presence in the more matured manufacturing markets like Indonesia, Vietnam and Bangladesh which all three of these have significant advantage and maturity compared to India so that gives us the second part of the confidence. The kind of strategic relationship that we have with our top five or six customers where we work very closely with them in terms of their projections and their planning for longer period of time that means more than the next few seasons so that gives us the confidence so these are the three factors that definitely helps us in terms of our order book.

Prachi Sharma: Alright Sir, My next question is how sustainable are these margins and what has led to improvement?

Pallab Banerjee: Margins sustainability will depend on two things depending on the raw material prices like how jerky how frequently the spikes are how it bottoms out. So if the movement is stable so then the forecasting is possible and in that situation normally the customers that we are supplying to take the brunt of the increase of raw material prices and then similarly like when it decreases they take the advantage of it so that our operating margins or the numbers that we frame it is more or less constant and we don't have to built up inventory to supply to them so that is how our manufacturing in this industry operates.

Prachi Sharma: Got it Sir. Just one last question what is the inflationary situation in US and how is it affecting our business?

Pallab Banerjee: Inflation as I was explaining is still continuing like you said it is continuously raising the interest rate and as the Chairman of the Fed also said in his speech that it will continue to do so at least three or four times that phrase was used that it will increase further so definitely inflation I would not say is under control at this point of time but over the last month consumer price index that has come out where it seems that it is slowing down so that advantage is being celebrated in the stock market that we have seen in the last couple of sessions so let us see like how it goes. What affects is definitely the sentimentality of the consumer so that affects us directly and also I mentioned that as these numbers are slowing down in US in terms of inflationary numbers the major impact is coming because of things like the clothing, there is the housing that has softened the clothing prices like the kind of inflation that they had last year has soften down now, even the home furnishings have come down, the school expenses and all have also started decreasing so certain areas in US which contributes to this inflation is softening out so unfortunately the one that we are in is the first one to getting impacted and I think overall the sentiment should improve and that is what we are looking for at this point of time. So yes I cannot say that I know everything I do not have the crystal ball as yet but the trend that we have seen in this last one month has been I would say favorable so let us see that how it continues. The biggest season in retail would be this holiday season which will be this month of November and December so how it goes will play a big role in terms of the consumer sentiment.

Prachi Sharma: Right Sir, Thank you so much this answers all my questions. I will just get back

Moderator: Thank you, As we have no further questions I would like to hand it over to the management for closing comments.

Sanjay Gandhi: Thank you everyone. I hope we have been able to answer all your questions satisfactorily. However should you need any further clarification or would like to know more about the company please feel free to contact our team or SGA, our Investor Relations advisor. Thank you once again for taking the time to join us on the call.

Moderator: Thank you. On behalf of Pearl Global Industries Limited that concludes this conference. Thank you for joining and you may now disconnect your lines.