

PEARL GLOBAL INDUSTRIES LIMITED

INVESTOR PRESENTATION

August 2016

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SAFE HARBOR STATEMENT

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THE GLOBAL APPAREL SOURCING LANDSCAPE HAS BECOME HIGHLY COMPLEX & CHALLENGING

STIFF CHALLENGES FOR LEADING APPAREL BRANDS & RETAILERS

Shortening fashion
innovation timelines

Highly volatile & uncertain
market demand

Pressure to offer
omnichannel retail
experience

Increasing
internationalisation &
regional differentiation

Environmental, social &
regulatory compliance
& quality issues


Inelastic apparel prices &
rising production costs

Fluctuating raw material
& freight costs

Emergence of
new sourcing markets

CRITICAL SUCCESS DETERMINANTS

- 
1. Faster Response to Highly Dynamic Apparel Market
 2. Low Cost & Highly Efficient Apparel Production Process
- 



**Consolidation in Apparel Sourcing Strategy with focus on
fewer garment suppliers offering highly efficient & integrated supply solutions
- Designs & Product Variety, Logistics, Robust SKU Systems & Technology**

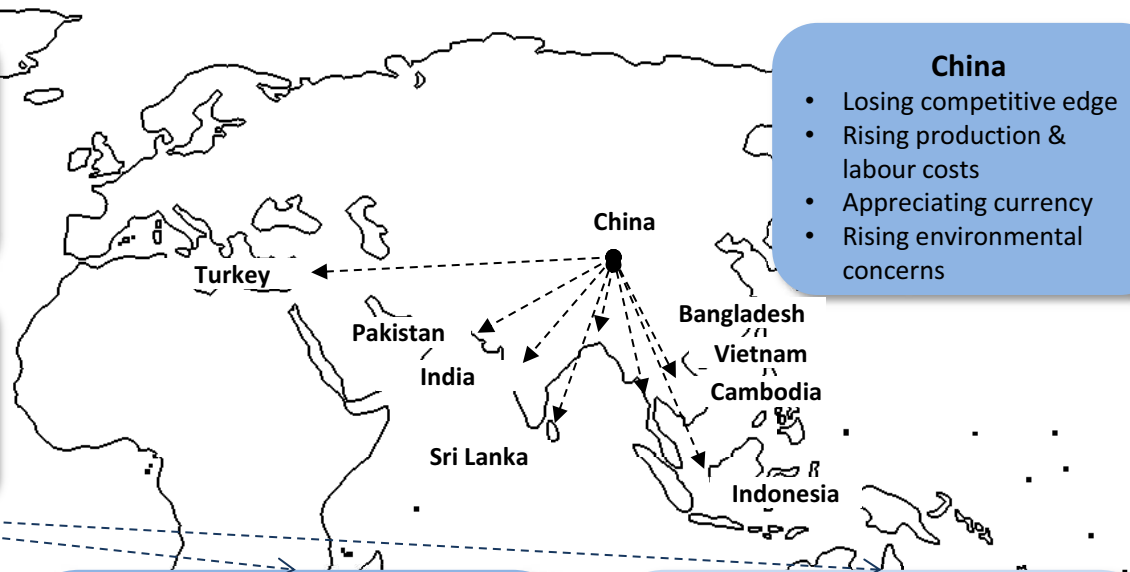
LONG TERM SHIFT IS BEING WITNESSED IN THE GLOBAL APPAREL SOURCING MARKET

Global apparel sourcing market is witnessing a shift from China to other low cost Asian countries primarily Bangladesh, India and Indonesia

Pearl Global has manufacturing presence in leading sourcing nations like India, Bangladesh and Indonesia.

China

- Losing competitive edge
- Rising production & labour costs
- Appreciating currency
- Rising environmental concerns



Bangladesh

- 2nd largest exporter after China
- Apparel exports – 80% of total exports, 76% of GDP
- EU - 58%, US - 23%, Canada - 5%
- Major products – Knitwears, basic shirts, jackets & trousers
- Strong industry backward linkages
- Low cost production
- Duty-free & quota-free access to major markets like EU, Canada, Australia, Japan

India

- 4th largest apparel exporter
- Apparel exports – 4.3% of total exports
- US – 24%, UK - 12%, Japan - 11%
- Highly varied skill-sets and product variety across wovens & knitwears
- Vertically integrated textile value chain
- Low labour costs, stable political scenario, abundant raw material availability

Indonesia

- 6th largest apparel exporter
- Apparel exports – 4.2% of total exports
- US - 36%, EU - 16%, Japan - 5%
- Highly skilled craftsmanship & unmatched quality across wovens & knitwears
- Vertically integrated textile value chain
- Low labour costs, stable political scenario, raw material availability, strict labour regulations

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 8,900 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

PEARL GLOBAL IS FAVOURABLY ESTABLISHED IN THE FAST EVOLVING GLOBAL APPAREL SOURCING MARKET

WHY IS PEARL GLOBAL “PREFERRED LONG TERM VENDOR”

Multi-Product Offerings

- One-stop shop offering wide variety of products across wovens & knitwears.
- Value addition offerings like embroidery, hand work, bead work, tie & dye designs, printing, garment washing & dyeing etc.

Vertically Integrated Manufacturing

- In-house setups of backend activities like embroidery, washing, handwork.
- Strategic tie-ups with various cotton and rayon fabric mills.

Approved Vendor to Global Brands

- Approved vendor to leading brands and retailers e.g. GAP, Ralph Lauren, Kohl's, Macy's, Ann Taylor, Next etc.
- Strong relationship of around 10-15 years with Gap, Macy's and Kohl's.

Multi-Location Presence

- Well-diversified and de-risked manufacturing base located in India, Bangladesh, Indonesia.
- Factories are fully compliant & approved by customers.

Strong Design Capabilities

- In-house design team of 75 designers.
- Design teams located in Hong Kong, India, Indonesia.

Strong Quality Check & Systems

- SAP ERP software installed to monitor operations & performance indicators.
- One of the lowest rejection ratio of 2-3%.
- 3rd party certifications from Intertek, SGS and Bureau Veritas.

WHY PEARL GLOBAL?

GARMENT EXPORT BUSINESS

- ONE OF THE LARGEST ORGANISED GARMENT EXPORTERS IN INDIA.
- MULTI COUNTRY OPERATION PARTNER TO GLOBAL RETAILERS.
- ONLY INDIAN GARMENT PLAYER WITH DIVERSIFIED MANUFACTURING BASE - INDIA, BANGLADESH AND INDONESIA.

E-COMMERCE BUSINESS

- VISION TO PROVIDE INTERNATIONAL FASHION CLOTHING TO INDIAN CONSUMER AT BEST POSSIBLE PRICES.
- HIGHER MARGIN BUSINESS OF ONLINE APPAREL RETAILING.
- INSIGHTS INTO TRENDING GLOBAL FASHION (THROUGH ITS EXISTING GARMENT BUSINESS PRESENCE).

ASSET LIGHT BUSINESS ROBUST BALANCE SHEET

- LOW LEVERAGE WITH NET DEBT/EQUITY OF 0.2X AS OF FY16.
- STRONG CASH BALANCE OF RS 1,307.5 MN AS OF FY16.
- ASSET LIGHT & HIGHLY SCALABLE BUSINESS MODEL.
- NON-CORE ASSETS (LAND BANK) WHICH CAN BE USED FOR FUTURE EXPANSION OR MONITISATION.

DISCUSSION SUMMARY

- **About Us**
- **Key Sustainable Advantages**
- **Understanding the Business Model**
- **Capacity Expansion Plan**
- **Balance Sheet – Non-Core Assets**
- **Future Growth Opportunity – E-Retail Initiative “SBUYS”**
- **Q1 FY17 Results and Business Outlook**
- **Annexure**
 - **Scheme of Arrangement Post De-Merger**



ABOUT US: 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.

SHAREHOLDING STRUCTURE

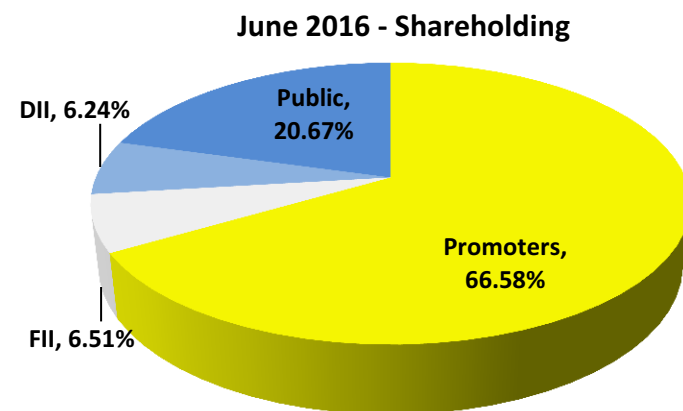
Shareholding %	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Promoters	66.58%	66.58%	66.58%	66.58%	66.58%
FII	6.51%	6.51%	6.58%	5.50%	5.53%
DII	6.24%	6.29%	6.29%	6.42%	6.42%
Public	20.67	20.62%	20.55%	21.50%	21.47%
Total No. of Shares (mn)	21.66	21.66	21.66	21.66	21.66

Source - BSE

Key Institutional Investors at Jun-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 24.08.16 (BSE)
Market capitalization (Rs Mn)	4,480.1
Price (Rs.)	206.8
No. of shares outstanding (Mn)	21.66
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	184.0 – 259.0



Source - BSE

ABOUT US: BOARD OF DIRECTORS

Mr. Deepak Seth <i>Chairman</i>	<ul style="list-style-type: none"> Economics Graduate from St. Stephens College, Delhi University, MBA from Jamanlal Bajaj Institute of Management Studies, Mumbai, India. He is an active member of the Apparel Export Promotion Council of India. He was awarded the “Udyog Ratna” Award by the Haryana Govt. in 2006 for his entrepreneurial skills.
Mr. Pulkit Seth <i>Managing Director</i>	<ul style="list-style-type: none"> Bachelor of Business Management from Leonard N. Stern School of Business, University of New York, USA. He has over 8 years of experience in the apparel industry. He has been overseeing the domestic & overseas operations of the company and has played an important role in streamlining business processes and enhancing relationships with leading retailers in the U.S.
Mrs. Shefali Seth <i>Director</i>	<ul style="list-style-type: none"> Bachelor of Science in Business Administration from University of Bradford, U. K. She is having international experience in trading, marketing of readymade garments and knowledge of Southeast Asia region for over two years.
Mr. Vinod Vaish <i>Director</i>	<ul style="list-style-type: none"> Bachelor of Science and Long Logistics & Management. He had been in the Indian Navy for 28 years at various levels in various capacities and has achieved in-depth knowledge of all aspects of Administration and Logistics Management. He has been conferred President Gold Medal for overall outstanding best officer in Naval Academy.
Mr. S.B. Mohapatra <i>Independent Director</i>	<ul style="list-style-type: none"> Master in Arts degree from Delhi University. He joined the Indian Administrative Services in 1967 and retired in 2004. He served as Secretary, Ministry of Textiles; Special Secretary, Ministry of Home Affairs; Additional Secretary and Finance Advisor, Ministry of Commerce and Director General of Foreign Trade. He was also Managing Director of Industrial Development Corporation, Orissa.
Mr. Anil Nayar <i>Independent Director</i>	<ul style="list-style-type: none"> B. Tech. in Mechanical Engineering from IIT, Kanpur and MBA from IIM, Ahmedabad. He has over 33 years experience in the area of Corporate Strategy, Corporate Restructurings, Structured Finance, and HR Initiatives.
Mr. Chittranjan Dua <i>Independent Director</i>	<ul style="list-style-type: none"> Masters Degree in Economics from Delhi School of Economics. He has been a practicing advocate for over 32 years and has vast experience in Corporate Laws, Merger & Amalgamation, Public Issues, Corporate Structuring, infrastructure projects, International trade & taxation.
Mr. Rajendra Aneja <i>Independent Director</i>	<ul style="list-style-type: none"> Master of Management Studies with an Advanced Management Programme at Harvard Business School. He has 32 years of robust business management experience in Multinational and family businesses, in Asia, Latin America, Middle East. He has also been the CEO of a large Retail Business in Middle East handling about 75 large retail outlets in fashion, cosmetics, electronics goods, in the Middle East, Far East countries.

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KEY SUSTAINABLE ADVANTAGE: 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.

KEY SUSTAINABLE ADVANTAGE: 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	1,000	0.35
South India	Woven Soft Sep	5	1,600	0.43
Bangladesh	Woven Soft Sep	1	400	0.20
Total Woven Soft Separates		10	4,800	1.63
North India	Knits	1	1,100	0.60
Bangladesh	Knits	2	1,000	1.00
Total Knits		3	2,100	1.60
Bangladesh	Woven Bottoms	1	1,000	0.30
Bangladesh	Woven Bottoms	1	1,000	0.30
Total Woven Bottoms		2	2,000	0.60
Grand Total		15	8,900	3.83

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.**

KEY SUSTAINABLE ADVANTAGE: 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.

KEY SUSTAINABLE ADVANTAGE: APPROVED VENDOR TO GLOBAL BRANDS



ANN TAYLOR NORDSTROM PRIMARK® next



BANANA REPUBLIC



GANT

Bershka



celio*

Target Australia

KEY SUSTAINABLE ADVANTAGE: STRONG DESIGN CAPABILITIES

STRONG EMPHASIS ON IN-HOUSE DESIGN & PRODUCT DEVELOPMENT

- Dedicated in-house design team of 75 designers located in Hong Kong, India and Indonesia.
- The design teams continually shop markets all over the world and visit all the globally renowned fashion and textile fairs to collect design ideas.
- The design teams are well-equipped to serve the global brands from concept boards to customers.
- New design ideas from marketing people, closer to buyers, which are located in Hong Kong, London, USA and Germany.
- Focus has been on creating brand specific product designs to generate and accelerate business opportunities for the global brands and retailers.



KEY SUSTAINABLE ADVANTAGE: STRONG QUALITY CHECK & SYSTEMS

COMMITMENT TO LEAN PROCESSES, HIGH PRODUCTIVITY AND QUALITY COMPLIANCE

- All manufacturing units are using SAP, an integrated ERP software system, to run day to day operations and monitor key performance indicators.
- System integration has created important checks and balances, resulting in accurate material ordering and complete analysis of customer and seasonal requirements.
- One of the lowest rejection ratio of 2% – 3%.
- 3rd party certifications from leading global inspection and quality check companies like Intertek, SGS and Bureau Veritas.
- Regular quality check inspections from customers.
- Fully compliant with all regulations and quality assurance standards like ISO, 5S and Citipac.



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UNDERSTANDING THE BALANCE SHEET

Total Capital Employed – Rs 5,482 Mn

Net Debt – Rs 524 Mn

Net Debt / Equity – 0.2x

Core Asset Base

Fixed Assets
Under Use

Rs 1,388 Mn

Net Current
Assets excl. C&CE

Rs 1,923 Mn

Other Net
Assets

- Rs 147 Mn

C&CE Holding

Cash &
Investments

Rs 1,500 Mn *

Non - Core Asset Base

Fixed Assets
Idle

Rs 205 Mn

Fixed Assets
Rented Out

Rs 613 Mn

Understanding the balance sheet:

- Around 85% of the total capital employed forms part of the core business.
- Rs 613 Mn of asset base (13 acres of land & building) is rented to third parties, yielding a rent of Rs 98 Mn in FY16.
- Rs 205 Mn of asset base (15.4 acres of land & building) is lying idle or vacant, which can be either used for future business expansion or can be monetised.

* Rs 800 Mn cash balance was in support to LCs

UNDERSTANDING THE PROFITABILITY IN CORE BUSINESS

PROFITABILITY IN CORE BUSINESS

Particulars (Rs Mn)	FY15	FY16
Total Revenues	10,237	13,934
Other Operating Income	185	183
Cost of goods sold #	5,364	7,931
Processing, Shipping & Other Expenses	1,388	1,684
Manufacturing Cost	2,989	3,626
Adjusted EBITDA *	682	876
EBITDA Margin %	6.7%	6.3%
Depreciation	159	169
EBIT	523	707
Total Capital Employed	4,841	5,482
Capital Employed in Core Business	4,013	4,664
ROCE on Core Business %	13.0%	16.3%

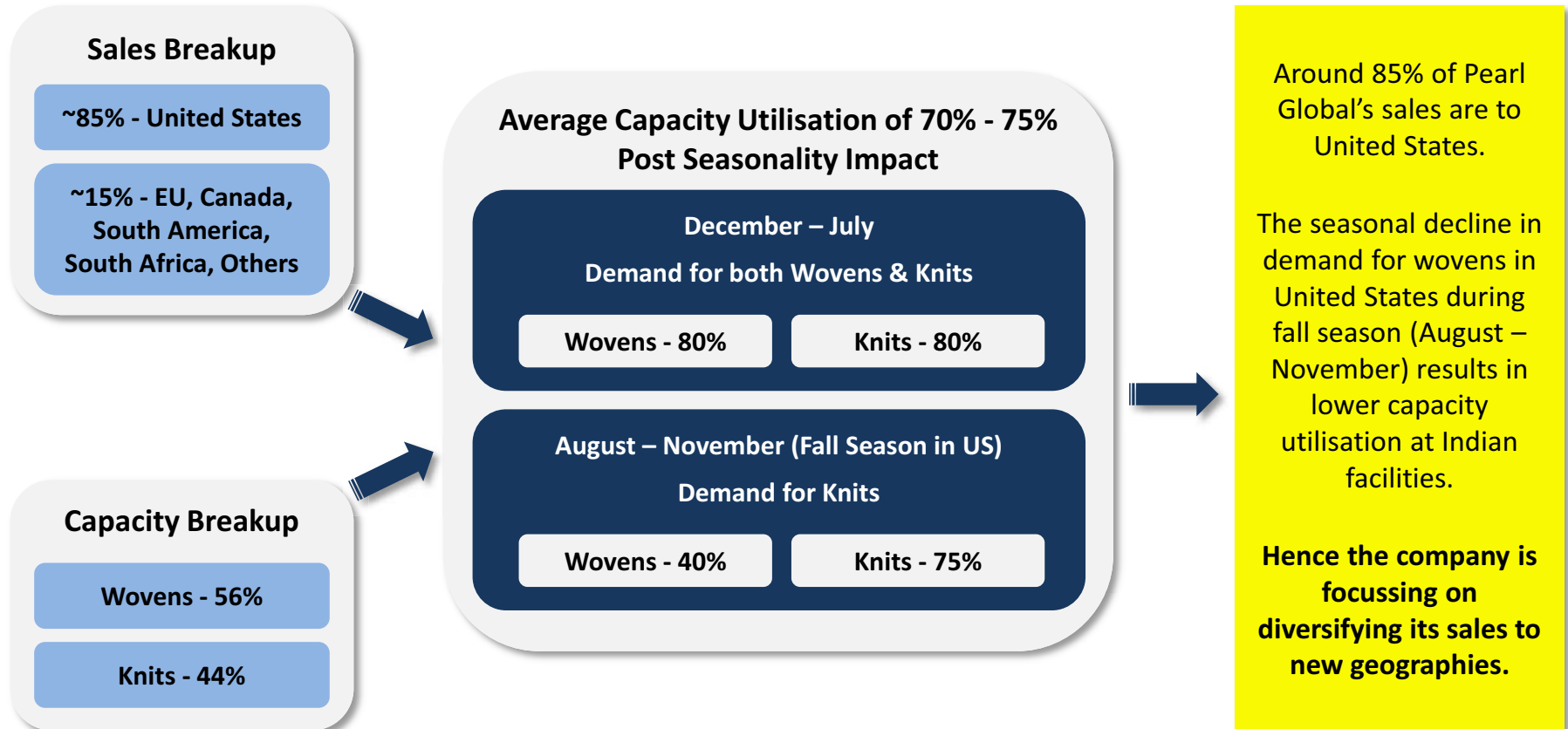
- The garment manufacturing business operates at modest operating margins.
- The price and realisations are majorly determined by the customers (global brands and retailers).
- Managing the labour & operating conditions is critical.
- **With increasing capacity utilisation, benefits of positive operating leverage will improve the EBITDA margin and return ratios.**

NOTE:

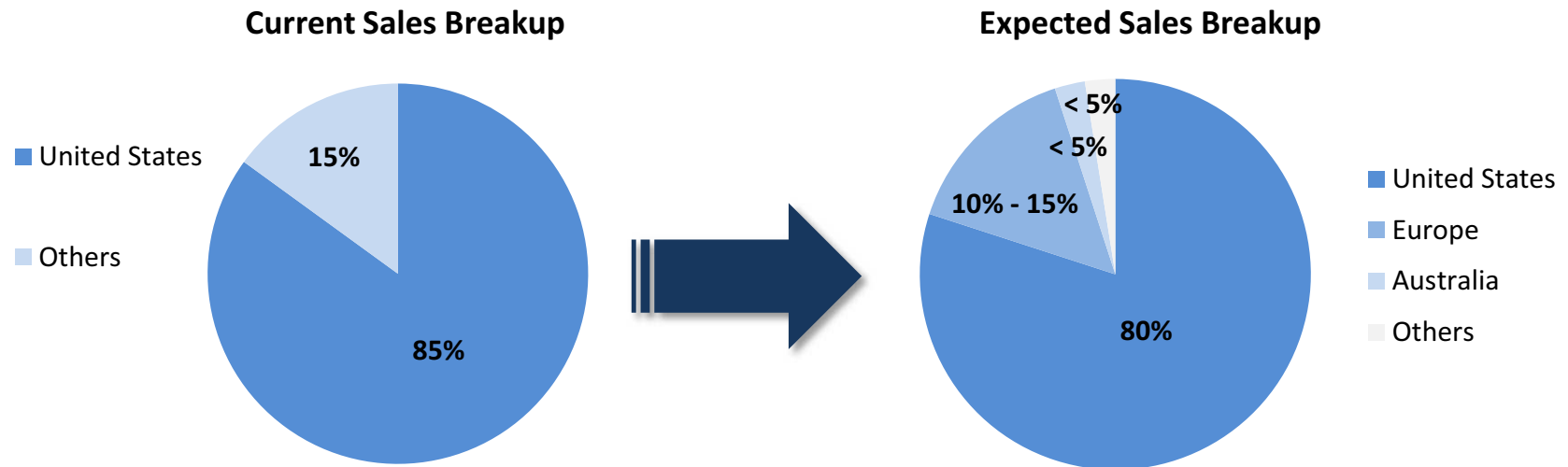
Due to significant pick-up in demand during FY16 (especially during Q4 FY16), the company had to rely on outsourced manufacturing facilities which led to increase in traded goods from Rs 381.1 mn to Rs 1,834.0 mn. Since the gross margin on traded goods is around 5%, the overall gross margin declined in FY16.

* FY16 EBITDA excludes one-time expense of Rs 61.9 mn due to compliance delays at Bangalore facility & Rs 25.0 mn due to refurbishment of Knits facility in North India

UNDERSTANDING THE SEASONALITY IMPACT ON CAPACITY UTILISATION



FOCUS ON IMPROVEMENT IN CAPACITY UTILISATION



Capacity Rationalisation through diversification into new geographies:

- Currently, ~85% of sales are accounted by US which experience seasonal decline in sales during fall season (Aug-Nov).
- Focus on diversifying into other geographies like Australia which have opposite climate conditions, compared to US, during Aug-Nov period.
- Focus to add new customers in other markets like UK, Germany, Canada, Mexico, Chile, South Africa.

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CAPACITY EXPANSION PLAN

CAPACITY EXPANSION PLAN

Particulars	Capacity	Capacity Expansion		Capacity Post Expansion
	FY16	FY17		FY17
No. of Machines	8,900	650	800	10,350
Capacity (Mn Pieces/Month)	3.83	0.20	0.26	4.29
Location	India (43.9%) Bangladesh (47.0%) Indonesia (9.1%)	Gurgaon	Chennai	India (49.9%) Bangladesh (41.9%) Indonesia (8.2%)
Incremental Capex		Land – Rent Machinery & Utilities – Rs 120 Mn	Land (4.5 acres) – Rs 35 Mn Building – Rs 106.6 Mn Machinery – Rs 66.3 Mn	Total Capex Requirement Rs 327.9 Mn

INCREMENTAL RETURN ON INVESTMENT

Incremental Capacity (Mn Pieces / Yr)	5.52
% Capacity Utilisation	70%
Incremental Revenues (Rs Mn)	1,352
EBITDA	115
EBITDA Margin %	8.5%
Depreciation	18
EBIT	97
Incremental Capex (Rs Mn)	328
Working Capital (70 days)	259
Total Capital Employed	587
ROCE %	16.5%

RATIONALE:

- The company is planning to add capacity in Gurgaon and Chennai.
- The expanded capacity will help the company to respond to the improving demand for apparels in the global markets.

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BALANCE SHEET – NON-CORE ASSETS

ASSET BASE – RENTED TO THIRD PARTIES

Particulars	Area (Acres)	Land (Rs Mn)	Building (Rs Mn)	Total (Rs Mn)	Rent per Year (Rs Mn)
Plot No 10, Sector-5, GC Bawal, Haryana	9.87	58	207	265	43.6
Plot No.51, Sector 32, Gurgaon **	1.00	8	144	152	41.6
21/13, Naraina, Delhi	0.29	6	13	20	5.7
A-3, Naraina, Delhi	0.20	1	1	2	3.5
A-8, Naraina, Delhi	0.16	70	10	80	2.9
A-9, Naraina, Delhi	0.16	70	10	80	2.9
Others					-1.7
Total	12.86	215	397	613	98

** 58.6% rented. Remaining area occupied by corporate office of Pearl Global

ASSET BASE – VACANT

Particulars	Area (Acres)	Land (Rs Mn)	Building (Rs Mn)	Total (Rs Mn)
Plot No 10A, Sector-5, GC Bawal, Haryana	3.92	86	0	86
Narsingpur	0.88	16	16	32
Tirupur	1.80	10	0	10
K-61, Sipcot, Chennai	5.00	5	0	5
D-6, Phase II, MEPZ, Chennai	3.56	0	44	46
D-6, Phase III, MEPZ, Chennai	0.28	0	28	29
Total	15.45	117	88	205

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FUTURE GROWTH OPPORTUNITY – E-RETAIL INITIATIVE “SBUYS”

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



PEARL GLOBAL – 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.

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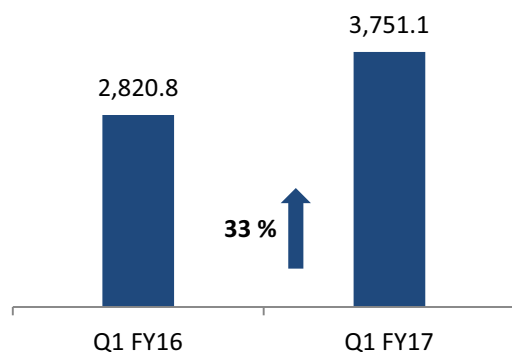


Q1 FY17 RESULT HIGHLIGHTS

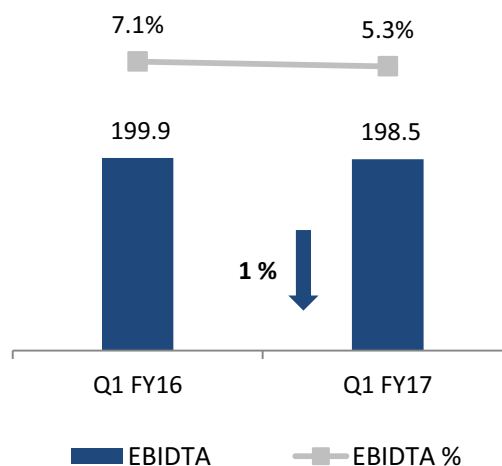
In Rs Mn

Q1 FY17 YoY ANALYSIS

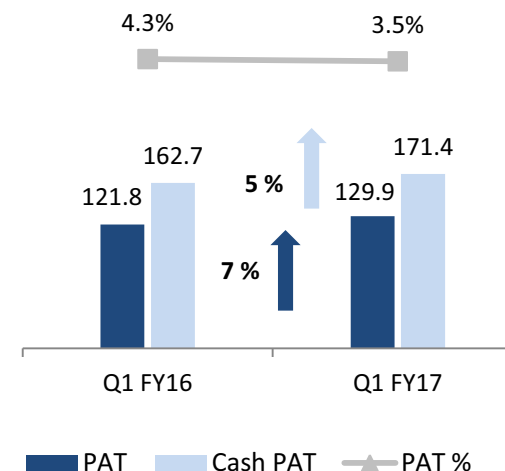
REVENUES



EBITDA & EBITDA MARGIN %



PAT & PAT MARGIN %



NOTE ** – Q1 FY17 included Rs 20 mn operational loss at Bangalore facility and Rs 10 mn pre-operating expenses at Gurgaon facility. Adjusting for these costs, the EBITDA from existing business was Rs 228.5 mn resulting in EBITDA margin of 6.1% in Q1 FY17.

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 included Rs 20 mn operational loss at Bangalore facility and Rs 10 mn pre-operating expenses at Gurgaon facility. Adjusting for these costs, the EBITDA from existing business was Rs 228.5 mn resulting in EBITDA margin of 6.1% in Q1 FY17.
- 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
Total Income from Operations	3,751.1	2,820.8	33.0%	13,934.2
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
Gross Profit	1,722.4	1,333.1	29.2%	6,003.0
Gross Margin %	45.9%	47.3%	-134bps	43.1%
Employee Expenses	577.3	473.6	21.9%	2,063.2
Other Expenses	946.6	659.6	43.5%	3,333.9
EBITDA **	198.5	199.9	-0.7%	605.9
EBITDA Margin % **	5.3%	7.1%	-179bps	4.3%
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
PBT	174.6	151.4	15.3%	483.6
Exceptional items	0.0	-1.2	-	-10.9
Tax Expense	39.9	33.8	18.1%	107.3
PAT	134.7	116.4	15.7%	365.4
Share of Profit/Loss of associates	-	-	-	-
Minority Interest	-4.8	5.4	-	1.3
PAT after minority interest and share of profit of associate	129.9	121.8	6.6%	366.6
PAT Margin %	3.5%	4.3%	-86bps	2.6%
Earnings Per Share (EPS)	5.99	5.62	6.6%	16.92

NOTE ** – Q1 FY17 included Rs 20 mn operational loss at Bangalore facility and Rs 10 mn pre-operating expenses at Gurgaon facility. Adjusting for these costs, the EBITDA from existing business was Rs 228.5 mn resulting in EBITDA margin of 6.1% in Q1 FY17.

CONSOLIDATED BALANCE SHEET STATEMENT

Particulars (Rs Mn)	FY15	FY16
Share Holders' Funds:		
Equity share capital	216.6	216.6
Reserves and Surplus	2,957.6	3,242.2
Total of Shareholder funds	3,174.3	3,458.8
Minority Interest	98.4	94.4
Non-current liabilities:		
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
Total of Non-current liabilities	599.0	661.9
Current liabilities:		
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
Total of Current liabilities	3,470.8	4,031.1
Total Assets	7,342.5	8,246.3

Particulars (Rs Mn)	FY15	FY16
Non-current assets:		
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
Total non-current assets	2,670.8	2,622.1
Current assets:		
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
Total Current Assets	4,671.7	5,624.1
Total Assets	7,342.5	8,246.3

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

- Expansion plan to add capacities in Gurgaon and Bangalore 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.

FOR ANY FURTHER QUERIES PLEASE CONTACT -

THANK YOU



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ANNEXURE

SCHEME OF ARRANGEMENT POST DE-MERGER

Pearl Global Industries Limited operates across three business streams –

- Manufacturing
- Marketing & Distribution
- Sourcing of garments through subsidiaries

Till recently, the Company operated (through its subsidiaries) with two distinct business segments:

- **Manufacturing and Merchant Trade**

Manufacturing – through facilities in Bangladesh, India and Indonesia.

Merchant Trade – Indian office procures orders from customers and outsources them to own/third party factories in Bangladesh, and Indonesia.

- **Sourcing Marketing and Distribution (SDM)**

Vast marketing network spread across Hong Kong, United States and UK which procures orders from the customers and outsources them entirely to third-party manufacturers. It also has facilities handling apparels processing and distribution in the US and UK.

- **Post the Scheme of Arrangement of the Company with PDS Multinational Fashions Limited, the SDM business of the Group stands divested into PDS as on May 13, 2014.**
- **PDS Multinational Fashions Limited issued six fully paid up equity shares of Rs. 10 to the shareholders of Pearl Global Industries Ltd for every five fully paid up equity shares of Rs. 10 each held, amounting to Rs. 259.9 Mn on June 5, 2014.**
- **PDS Multinational Fashions Limited thus ceased to be a subsidiary of Pearl Global and accordingly its Q1 & Q2 FY15 results are not consolidated with the results of Pearl Global.**