

PGIL/SE/2024-25/016

Date: May 27, 2024

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**Reg: Scrip Code: BSE-532808;**

**NSE - PGIL**

**Sub: Transcript of Conference Call**

Dear Sir/Madam,

In continuation to our letter dated May 22, 2024, regarding submission of audio recording of the call conference held with Investors/ Analyst on May 22, 2024, to discuss Company's audited financial results for the quarter and year ended March 31, 2024, please find enclosed herewith the transcript of the aforesaid Conference Call.

You are requested to take the same on your records.

Thanking you,

Yours faithfully,  
for **Pearl Global Industries Limited**

**Shilpa  
Budhia**

Digitally signed by  
Shilpa Budhia  
Date: 2024.05.27  
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**(Shilpa Budhia)**  
**Company Secretary and Compliance Officer**  
**ICSI Mem. No. ACS-23564**

**Encl.: As above**

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Exceeding Expectations...Always

“Pearl Global Industries Limited  
Q4 and FY '24 Earnings Conference Call”  
May 22, 2024



Exceeding Expectations...Always



**MANAGEMENT: MR. PALLAB BANERJEE – MANAGING DIRECTOR  
MR. SANJAY GANDHI – GROUP CHIEF FINANCIAL  
OFFICER**

*Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 22<sup>nd</sup> May 2024 will prevail.*

**Moderator:** Ladies and gentlemen, good day and welcome to Pearl Global Industries Limited Q4 and FY '24 Earnings Conference Call. 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 star then zero 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:** Thank you. Hello, this is Pallab Banerjee. Hello, everyone. Good morning. Welcome to our Q4 and Financial year '24 Earnings Conference Call. Along with me, we have our Group CFO, Sanjay Gandhi and SGA, our Investor Relations Advisors.

I hope all of you have had a chance to go through our annual results and the investor presentations uploaded on the exchange and our company website. Our outstanding performance for fiscal year 2024 is a proof that our strategies are working and a testament to our competitive advantage as a global manufacturer. Our sustained growth, despite being one of the difficult years, is driven by leveraging our core strengths of multi-country products in market design expertise and strategic customer relationships.

This growth primarily stemmed from increased orders from our existing customers, yielding better relationships, as well as value-added sales from the customers which we acquired over the last five years. Let me start with an overview of the industry. The global textile and the apparel market is projected to be relatively flat this coming year, due to various macro factors, uncertainties, and volatile geopolitical reasons.

Western country major players are being cautious due to the various elections which are scheduled this particular year, while the Asian economies continue to march ahead a little bit more sustainably. However, these developing Asian economies are also confronted with challenges, such as escalating labor and production expenses in major manufacturing nations, prompting companies to relocate their production to more cost-effective locations.

Additionally, the volatility in raw material prices poses some certain certainty challenges for us, but nonetheless, there are enough opportunities in meeting and overcoming and with this evolving consumer preferences for eco-friendly, sustainable, and organic materials, as well as in capitalizing on the rapid expansion of e-commerce, which broadens the accessible marketplaces for apparel brands and retailers.

Now, the Asia-Pacific region dominates the global textile and the apparel market, primarily due to the significant presence of key manufacturing nations. Among these, China remains the

largest textile producer and consumer, while India is emerging as a rapidly growing economy for both export as well as consumption. Other notable performers include Vietnam, Bangladesh, and Indonesia, where our operations are very well established.

Throughout the previous year, the industry encountered several challenges. These included persistent geopolitical tensions globally, which impacted industry operations, particularly in global trades, where demand saw fluctuations, significant fluctuations, and this disrupted the international trade as well. These circumstances have been notable, have had a notable influence on the Indian textile sector as well, particularly those segments which are heavily dependent on the exports.

Now, if I talk about US. All the retailers and brands have effectively bounced back from the excess inventory situation which they experienced last year. Moving forward, we expect to see a gradual enhancement in the consumer confidence as well, highlighting the resilience and the robustness of not only the US economy, but also other worldwide economies as well. However, the industry captains are playing very cautiously optimistic approach.

Due to the upcoming elections, end of this particular year, they want to be close, they actually want to buy close to the selling season to avoid over-inventory situation once again. Thus, they are preferring the near shore and the faster transit options. For us, now, faster transit options from the manufacturing countries, I mean. Now, the Red Sea adverse situation is not in favor of this particular strategy.

However, for us, there is no effect of cost for the Red Sea situation that we are facing since last one year because all our shipping are in FOB terms. As long as we can deliver the goods faster, they need actually one week early so that the extra time that is needed if they have to go through around the African continent. So, that one week is definitely expected from us that we deliver faster.

Now, our manufacturing setup in Guatemala, where transit time to USA is just over a week, is getting more and more queries and lots of interest from these customers. However, the capacity in Central America is limited and would be just a fraction of what we have in Asia till date. Other markets like United Kingdom and European Union are still going conservative.

However, I must say that the successful retailers and the strong players are strategizing themselves to achieve better results than the forecasted macros. If I talk about Australia, Asia and Japan, these markets are relatively upbeat. Most of them have come out of the COVID lockdowns only in 2023, especially like if you talk of China and the Australia and Japan market also we saw the momentum started coming up only in 2023.

And these may be relatively distanced from the geopolitical tensions that we see causing a direct impact for the Western economies. Now, if we continue, for us, we will continue to increase our Bangladesh operations, looking at several advantages that we have there. It has readily available a very stable, skilled workforce, experienced middle management, and a very strong ecosystem of banking support, improving logistical infrastructure that is happening in that country.

And above all, we have some favorable trade agreements. This enables us and our manufacturing operations to uphold the high production standards and meeting of the service levels that is demanded by our customers internationally. And we can do it with ease.

With regards to the wage hike in Bangladesh that we experienced end of last year, which we discussed also in our last quarter call, the increase in Bangladesh wages, if you remember, would create an impact between 12% to 15% of our wage bills. Overall, from a profit and loss perspective, it changes by approximately 1% to 1.5% when we compare to the top line. Now, we had already planned to overcome this challenge through automation and efficiency improvements. The current devaluation that happened in the Bangladeshi Taka, which took place recently, is an additional help to us.

In Vietnam, we will continue to grow. However, at a relatively steadier pace, like whatever you have seen in the last three to four years, the kind of pace that we had, we will continue to grow there, but with a relatively steadier pace and continue to service our higher-end customers.

Indonesia will gain back its numbers. These were down over the last two years when we were building and shifting to our new facility away from the seashore. If you remember, right now we had – because of global warming, definitely the seashore is not a safe place to run a factory.

In India, we enhanced our existing capacities in the states of Haryana, Karnataka, and Tamil Nadu over the last year. And going forward, you will see us investing and starting production in other states as well, where we find the availability of trained labor force and is relatively less expensive than our existing production locations. We will plan to further automate all our facilities and all our processes, maximize the use of existing capacities and expanding them.

We will continue to invest in improving our operations, implementing stronger governance processes, digitization of all our factories, and improving our financial rating. We are already aware of our dividend and capital allocation policies. We already have announced our strategic plans and objectives for 2028, and we feel that we are marching solidly on track.

We will continue to add and grow with customers who are getting stronger in the world market. We will stay away and decrease our exposure for anyone which is becoming financially weak or we feel they are risky. We will see us continuing to enhance our achievements by exceeding our past records of revenue, capacity, efficiencies, and thereby directly enhancing our bottom line profits.

We are dedicated to each of these objectives through the strategies that we shared with you in February meeting in Mumbai, which involves expansion plans, marketing and designing focused product categories, strengthening our strategies with the current customer relationships, and increasing the wallet share, how much they're spending with us. So in nutshell, this is what we have for you. Now I would like to hand over the call to Mr. Sanjay Gandhi, our group CFO, who will provide you with the insights on the financial performance. Sanjay, over to you.

**Sanjay Gandhi:**

Thank you, Pallab. Good morning, everyone. I am delighted to announce yet another strong year for our company, marked by remarkable financial and operational achievement at the group level.

Starting with consolidated financial highlights,

I am pleased to announce that for financial year 2024, on a consolidated basis, our revenue has increased by 8.8% year-on-year to INR3,436.2 crores versus INR3,158.4 crores in FY23. This growth was achieved on the back of our overseas revenue, which witnessed a growth of 21% year-on-year. For Q4FY24, revenue grew by 20.2% year-on-year and stood at INR877.4 crores.

For FY24, we are happy to share that we have crossed INR300 crores mark with respect to consolidated adjusted EBITDA and reached INR316.4 crores, which is a growth of 22.5% year-on-year compared to INR258.2 crores in FY23. Please note that adjusted EBITDA excludes ESOP expenses of INR8.6 crores in FY24 and INR2.7 crores in FY23. Going ahead, considering same allotment, ESOP expenses for next year will be in the range of INR4.5 crores to INR5 crores. For Q4 FY24, adjusted EBITDA witnessed a growth of 30.8% year-on-year and stood at INR83.9 crores compared to INR64.2 crores in Q4 FY23. This excludes ESOP expenses of INR2.5 crores and INR1.4 crores in Q4 FY24 and Q4 FY23, respectively. Furthermore, our adjusted EBITDA margins saw a year-on-year improvement of 100 basis points, rising from 8.2% in FY23 to 9.2% in FY24.

The enhancement of operational efficiency notably contributed to increased revenue in Bangladesh, fostering economies of scale and subsequently boosting the EBITDA margin for our international operations. For Q4 FY24, we have witnessed 80 bps improvement in adjusted EBITDA margins, which grew from 8.8% in Q4 FY23 to 9.6% in Q4 FY24.

PAT for the year stood at INR169.1 crores versus INR153 crores in FY23, which is a growth of 10.5% year-on-year. However, if we look after PAT after minority interest, it stood at INR174.8 crores in FY24 compared to INR149.3 crores in FY23.

For Q4 FY24, PAT after minority interest stood at INR51.3 crores in Q4 compared to INR51.9 crores in Q4 FY23, which shows a degrowth of 1%. However, there was an exceptional gain of INR17.8 crores in Q4 FY23 and INR13.5 crores in FY23. Excluding that, we have seen a good profitability both for Q4 FY24 as well as FY24. EPS for FY24 grew to INR40.26 per share in FY24 versus INR34.45 per share in FY23.

Coming to standalone financials,

Revenue for the year stood at INR953.7 crores versus INR1,103.8 crores in FY23, a degrowth of 13.6% year-on-year. The decline is mainly because of low sale volume in knit business. One major reason for such decline is the business transition to Bangladesh. For Q4 FY24, revenue stood at INR320 crores, which is a growth of 16.6% year-on-year compared to INR274.6 in Q4 FY23. The growth witnessed was due to increase in the woven business.

Adjusted EBITDA stood at INR49.3 crores. Adjusted EBITDA margin stood at 5.2% in FY24 compared to 6.4% in FY23. The margin pressure was due to employee expenses and other expenses being fixed in nature, thus negatively affecting EBITDA with decline in revenue.

For Q4 FY24, adjusted EBITDA stood at INR20.6 crores with adjusted EBITDA margin at 6.4%. PAT for FY24 stood at INR28.2 crores whereas Q4 FY24 PAT stood at INR11.9 crores.

While numbers for current FY23-24 for standalone have shown degrowth and drop in profitability, we continue to work on capacity expansion in existing factories and also look for suitable opportunities in other states in India on the backdrop of customer acquisition, increase in wallet share, the strategy which put in place in FY23-24.

We are confident of improved performance on a standalone basis as we start FY24-25. Our strong performance at a group level is reflected with our strengthening balance sheet. On a consolidated basis, our gross debt is similar to last year level of INR445 crores in FY24 versus INR448 crores in FY23.

Net debt to EBITDA stand at 0.25 times for FY24. Return on capital employed improved from 24.2% in FY23 to 28.2% in FY24, which is a growth of 400 basis point year on year. The return on capital employed has improved due to profitability in overseas market, prudent capital allocation policy and efficient working capital management. Margin money earmarked LC payment is excluded from capital employed calculation. We have used net debt to arrive at above stated return on capital employed.

Net working capital days decreased from 38 days in FY23 to 30 days in FY24. Debtor increased to 28 days in FY24 from 24 days in FY23. Inventory days decreased to 53 days in FY24 from 59 days in FY23. Creditor days increased to 52 days in FY24 from 45 days in FY23. On a steady state basis with the growth in the business and the customer mix, we believe that net working capital days around 35 days should be a stable state for us going forward.

To add to point of BD wages, Bangladesh wages and its impact on profitability, to update the recent development in the month of May, Bangladesh Bank has unveiled the Crawling Peg Exchange Rate System and an odd bank to buy and sell US dollars freely nearly Taka 117. A Crawling Peg System is a method of exchange rate adjustment that allows a currency with a fixed exchange rate to fluctuate within a band of rates. It is a hybrid of fixed and floating exchange rate system.

Central Bank in Bangladesh has also dispended the smart formula to make interest rates in the banking system fully market-based linked thereafter. Central Bank's announcement was in light of the conditions set by the IMF.

During the year, we have incurred a property plant and equipment capex of INR115 crores and additional INR1.25 crores approximately towards other IT related capex.

Capex of PPE, property plant and equipment was incurred across geographies for growth, upgradation, automation and leasehold improvements and also replacement. In India, we have incurred a capex of INR42 crores where 50% was towards the growth capex and 50% towards maintenance and leasehold improvement. In Bangladesh, the total capex was incurred INR40 crores where 55% was towards upgradation and automation and 45% towards maintenance and leasehold improvement. In Indonesia, we have incurred a total capex of INR16 crores towards capitalization of the building from CWIP. And so, in fact this is also a growth capex. In Vietnam, we have incurred a total capex of INR13 crores of which INR5 crores was towards automation



and INR8 crores was building improvement. In Guatemala, we have incurred INR4 crores towards growth capex.

As you are all aware, we have a dividend policy in place wherein the company will declare dividend of at least 20% of consolidated profit after tax in a given year to the shareholder. We are happy to share that in the fiscal year of FY'24, we distributed a dividend amounting to INR38.1 crores which is 22.5% of our consolidated profit after tax.

Going ahead, with a robust performance in FY'24 coupled with a strong and diverse customer base and geographical presence, we are well positioned for a strong performance in the coming years and are well on track to achieve our stated guidance for FY'28.

Thank you. We shall now open the floor for questions and answers.

**Moderator:** Thank you very much. The first question is from the line of Hemant Shah from Seven Islands PMS. Please go ahead.

**Hemant Shah:** Hi, good morning and thank you for this opportunity and congratulations Pallab and team for the fantastic numbers. I have two broad questions, Pallab. I think February's FY'24 presentation says that we are on track to achieve almost INR6,000 crores to INR6,200 crores of top line by FY'28, as even the CFO reiterated in his comment.

So just wanted to check and considering the slowdown we face this year and some futuristic, inorganic or organic growth is in mind. I'm just trying to gauge how we are planning to achieve this INR6,000 crores top line by FY'28 and are we on the track to achieve it and how? And just a broad view overview about it.

**Pallab Banerjee:** Thank you Mr. Hemant Shah. Very valid question. And I was just mentioning in my speech that we are solidly on track on this strategy that we presented to all of you in the month of February. The strategy remains exactly the same. We are focusing on the customers who will give us the top tier customers like who will give us the maximum revenue and the second tier customers who will continue to grow with us and then the other tiers like where we are adding continuously our new customers and executing the business of the current that we have.

Of course, like you know with all the things that is happening in the world we continue to always very closely watch the performance of our customers as well. Like anywhere we find risk then we start decreasing the volume there and wherever like we find the strength, our focus and energy is more towards those guys like you know, who are performing well.

In terms of the numbers that we have talked about, we are, as I mentioned solidly on track. We were confident that this particular year 2024 we will be ending up with the growth. May not be like the 15% or 20% that we talked about at the CAGR level but this was an exceptional year. That's why there is a little bit of drop but still we have closed around 9% and I think if you can see, do some comparison with some of the other industry peers like we are definitely can't say that we are going weak. We are becoming stronger only.



And naturally like the play that we have in terms of both growing the capacity, growing the wallet share with the customers. I think all of the strategies that we have discussed and highlighted in February, we are each on each one of them I would say we are solidly on track.

**Hemant Shah:**

Great, great to hear that Pallab. So basically barring FY'24, I mean we can comfortably expect at least 15% to 18% CAGR growth right. So with that I mean for FY'27 we can definitely expect almost over INR5,500 crores of sales and as you mentioned EBITDA should be in the region of 10% or so, correct?

**Pallab Banerjee:**

Yes, because you see like you know, as the number goes up we are not in this whole plan we have not talked about any acquisition of a new business. This is the organic growth that we are doing with the kind of infrastructure that we have. Only thing that we are adding are the new facilities to this plan. Of course like we will always be open if some other opportunity comes up we will look into that.

But this particular plan that we have we are I think solidly on track and as the number goes up, always there are operational efficiency that builds up. So that gives us that you know the confidence also in terms of the bottom line performance that we have been promising all of you. So that number continues to improve.

**Hemant Shah:**

Great, great Pallab, fantastic to hear that. Lastly with this respect to this only with this existing infrastructure, what kind of revenues, optimum revenues we can generate I mean as of today, barring the expansion which we are planning in the next two, three years or so to reach almost INR6,000 crores I think we need to invest something but with the existing infrastructure what kind of revenues and what kind of sales we can generate?

**Pallab Banerjee:**

Yes, so if you see like, if you go back one year, one and half year, we had the kind of infrastructure that we had, we could maximize it towards 80 million pieces of production. Now as I speak to you today, this is enhanced already to about 84 million pieces approximately. So this number so even the year was tough but we didn't change the plan because you see like we are continuously in touch with our strategic customers, how they are thinking, what are their planning for the next two to three years, so that conversation is always solidly on.

So, with that we have not stopped in the background. Our enhancement capacities with the existing infrastructure that we have had and then this particular year, as I mentioned like in India, wherever we had the factories, so we are definitely maximizing those capacities and building up to be ready if the business – as the business goes up, we should be able to service it well because in India, we don't have so much of partner factory, but yes like we are continuing to try and get some partnerships as well. So that is happening in India.

Now going forward, we are seeing a good opportunity because of the government initiatives and all, we can open up some facilities in the other states, where the availability of the workforce as well as the cost is better. Similarly, like if you talk of all other regions in Bangladesh, we have strengthened the current capacity utilization and also the partnerships that we have already out there, at the same time we continue to look for opportunities to grow and acquire more factories. So that will continue to happen.

Vietnam, we already have a good capacity because of our own factory as well as the partnership factories. We continue to grow that number on basis of the capacity already we have as we utilize more and more. In Indonesia, we had the change like in fact we had shut down one of the factory and we built up a new factory more inland.

So that has now complete like numbers will just go up there so that capacity no change out there. But Guatemala, the capacity has added in this last one year. So if you see like that's how like we have got from 80 to 84 already or towards our path to become 120 million to 140 million kind of capacity that we should be having for 2028 how we are planning.

**Hemant Shah:** Wonderful. And lastly with respect to this only, will there be any per unit improvement in realization going forward? Because I think we are adding the good value added products in Vietnam and I think even Indonesia right? The high value high margin products.

**Pallab Banerjee:** Yes.

**Hemant Shah:** Like that's something --

**Pallab Banerjee:** Yes. Always our endeavor would be to get to a better UVR, but when we do the projections like what we have shared with you in February in Mumbai that's something that we are not even adding those benefits if that comes those benefit comes it will be additional. So, we are still taking like because you see like in our industry always there is a variability in terms of raw material cost, in terms of other fluctuating macro factors.

So, yes, our endeavor always, always at every moment is to get to a better UVR get a better efficiency and better realization, better bottom-line. So UVR is an important part in that. We'll definitely will continue to try to get more and more better UVRs, but that's something which is to some extent we have a control if we are exposing ourselves more to the customers who are giving us a higher value and decreasing ourselves with the customers who are very competitive. So I don't want to restrict that to us. So that is why all our strategy we have made is on the basis of a similar kind of UVR, but yes if that comes in as we clock better and better you will see a better advantage from our side.

**Hemant Shah:** Right. Thank you. And secondly lastly just one more question, I mean the company Pearl Group has done fantastic over the last three years once it started all this expansion. I think FY '22 EBITDA is now even more -- the PAT level is even more today actually the FY '22 EBITDA was INR150 crores odd. And today the PAT is INR170 crores and FY '24 and that's a fantastic growth. The ROCE, ROE is amazingly strong.

So my question with respect to this is the peer comparison -- if I compare Pearl Global with directly with Gokaldas because this is the largest company actually in fact in terms of, I mean, the size of Pearl is even bigger than Gokaldas per se, but as a valuation wise Gokaldas is the largest peer comparison. I mean, I'll be very honest to compare directly with one-on-one. What is the difference between us and Gokaldas in terms of the products as well as, what do you think where we are lagging in terms of valuation.

Because we have, I mean, as per my view we are present across the globe where the garment industry is penetrated quite well. We have also penetrated in Vietnam, Indonesia, Sri Lanka including India, Gokaldas has just started, I mean, they are more focused on India. We are also almost now INR3,500 crores companies Gokaldas is also talking of 15% CAGR and today they are almost INR2,300 crores companies so by '28 there will be almost say almost INR4,500 crores company we will be almost INR6,000 crores company. So what is there, what we are missing in terms of valuation, according to you?

**Pallab Banerjee:**

And that's a difficult one. I would say, see what when we took over in 2019, the way that we have strategized ourselves in terms of the governance, in terms of all the parameters all the ratios that we are coming back to you quarter after quarter telling that, okay like, this is our plan and we are achieving that. So I think that journey maybe Gokaldas started before us somehow, like today Gokaldas has got a much better confidence of the , I would say, the street compared to us, but I think we have also started our communication and conversation with all of you since 2021 end and I can only think of that like, most of the investors are still watching us, have seen us.

But I don't see in terms of our performance in terms of our parameters that we have defined ourselves and the kind of EBITDA that we are targeting we have already improved quite a lot, we have already said that between by 2028 we should be anywhere between 10 to 12, even if you talk of 11% then we should be very close and yes, our numbers would be more and so far, we are only talking about organic growth. We have not done any acquisition of business that doesn't mean that, we don't want to do it but that is not the way that we are trying to increasing the value at this point of time of Pearl. So there is enough opportunity and I would say the kind of infrastructure that we had in Pearl, I want to maximize that definitely and I think you are seeing it, I think all of you are noticing that, okay, this is the infrastructure that we had and this is the kind of result that we can deliver and today like we had INR300 crores plus in terms of EBITDA. And if you do 10% to 11% that we are talking about easily, as we grow our revenue top line so that number will continue to grow and I think it's easy calculation for all of you to see that and I think that's something the market has to realize and give a proper valuation to Pearl as well.

And any other thing, like I am very open we are open to listen, we will adapt ourselves to if anything that we are doing wrong or if we think that something has to be corrected in our approach. So that's something like I think we are very open and communicative at this point of time with the market. So we are listening, whatever you're telling us we will be talking to you, we'll be communicating with you, we'll be understanding the needs and we definitely want to increase the valuation because a proper valuation is something that all of us would like to have.

**Hemant Shah:**

Yes. I understand. And I appreciate your thought process also because even now the dividend payout is also amazingly investor friendly EBITDA is now stabilizing and what you said INR300 crores EBITDA maybe in FY '25 with 15% CAGR growth the INR400 crores EBITDA will become INR400 crores PAT the way it has become 22 EBITDA has become a PAT of 24 I think 25 EBITDA can become PAT of 28. So that's an amazing journey Pallab. I think, yes, market will take its own course, I'm sure and all the best Pallab, thank you for this opportunity, all the best.

**Pallab Banerjee:** Thank you.

**Moderator:** Thank you. The next question is from the line of Ashya Jain from Jain Capital. Please go ahead.

**Ashya Jain:** Yes, hi. A couple of questions from my end. So firstly, how's Q1 FY '25 show up so far, so how do you see the demand going forward as well, so globally many players are bullish on the demand outlook, so how are we looking at it and do we anticipate any slowdown at an industrial level?

**Pallab Banerjee:** Mr. Jain, thank you for your question. I think the demand is at this point of time healthy. I think the biggest factor that we had in 2023 was the over inventory situation that we are facing in the US retailer. So that I think, now we are completely over with, so naturally the numbers, I think we have discussed this enough in the last few quarters, the numbers I was expecting it to jump up by the depth whatever the decrease that that happened, because of the over investigation that I think is back. So that definitely you will see playing in the market, so I don't think anybody will complain in terms of or the orderbook at this point of time.

But if you talk about the US market specifically then what I find is most of the industry captains are still a little conservative and they're very cautious, I would say, they are doing a very cautiously optimistic kind of approach towards the business and that's mainly because of the elections, because of some of the geopolitics that is going on at this point of time and the inflation interest rates still continues to be high, these are the things, I think is still affecting the decision making of some of these big retailers and all.

Now but at the same time, they have plans and they are planning for the expansion maybe like low single digit number for this particular financial year. If you talk of Europe and UK definitely went into some kind of official recession as they said and Europe also some of the countries are very slow, but still I think most of the retailers have been very conservative for some time, but the better ones, like, if you talk, think people like Inditex or some of them, they continue to be aggressive, they continue to grow despite any challenges that is thrown by the market to them.

So that's something like, there are players who have a strong strategy will continue to grow and they will be against the macro factors like, even if it is slowing them down, they would have some means or ways or strategies to overcome that. If you talk of the Australia market that's relatively much more bullish, Japanese market is much more confident at this point of time compared to the last couple of years, if you talk of China market, they had just come out of the pandemic restrictions in 2023, end of that particular year, so they are quite bullish.

So I think overall global and that's why, as a company Pearl Global, we are not only in terms of global in terms of our manufacturing, but also we want to supply our customers globally. So for example a brand, which could be an American brand but may be retailing in Asia in some of these countries like China and other places or like a Japanese brand, which could be globally supplying.

So we do supply to them globally from all our manufacturing hubs, so that's the objective, that's the intention that Pearl continues to march upon and we think we are solidly on track on that. So yes, a long answer to your small question of how the demand would be. I think demand is back

on track at this point of time. Although, it will be conservative, it will be low-single digit growth globally that I personally foresee, but yes, like if I am with the right partners, if I am with -- if I have the attention of the right players, who are definitely going to meet the market macro factors so then I can do the same with them. So that's the approach that we have.

**Ashya Jain:** Understood. Thank you for the detailed answers. Sir, lastly just can you provide some information on our company's capex plan for this financial year FY'25?

**Pallab Banerjee:** Sanjay, you're going to take that?

**Sanjay Gandhi:** Sure. I'd just to add here on the capex plan for FY'25 and going forward. So as a part of our four-year plan we said we'll be investing anywhere between INR500 crores to INR550 crores in next four years. Coming specific to FY'24-'25, in India, we are looking at a capex between -- commitment to the capex around INR70 crores to INR90 crores of capex in India for the capacity expansion in other states which we just mentioned in our earlier commentary, plus there will be IT-related capex which will be incurred which is towards automation and digitization across factories, newly factory and also some of the existing factory. That's in India capex plan.

And then, in Bangladesh, we will be looking for some kind of an opportunity of capacity expansion. The amount as such is not really confirmed, but yes, we will be looking to add maybe 1,000 to 1,500 machine capacity in our overall journey, as we have mentioned very clearly that how do we want to build on the capacity, I think that's the plan. So we are evaluating, we continue to evaluate the existing facility. And as and when the opportunity is there, we'll be definitely looking at that.

In Vietnam and Indonesia, we don't have any plan of capex as of now. Indonesia, already we have done this year, last year. In Vietnam also there is not much capex. Guatemala, we have already completed the capitalization on 31st of March. So this is a broad capex bifurcation, which is primarily towards the growth. In addition, there may be a maintenance capex which may be there in India and Bangladesh considering the factories have been operating for a number of years which can be around INR8 crores to INR10 crores in India and likewise same number for Bangladesh.

**Pallab Banerjee:** Yes. Thank you, Sanjay sir.

**Sanjay Gandhi:** Thank you.

**Pallab Banerjee:** Sorry, I have a little bit of throat issue today. But again, like you know very clear, there are opportunities at this point of time especially in countries like India and Bangladesh I think there is a significant growth that can happen. So we do have an eye continuously in terms of any opportunity that is coming our way. So in India, like as you said, like we will be opening up some factories in the other states. So that might need some capex, so that we will be incurring.

And then in Bangladesh also same. Bangladesh maybe like will not go for any kind of a new facility to build up in the short run. There are very good infrastructures that is available in Bangladesh and because of all these ups and downs that happens in the market, there are some good infrastructures always available for us to look at seriously. So that's something like we

continue to look at, if something is good, we will go for it. So those are the things like, as Sanjay mentioned, number wise in our direction. And this is the thought behind it, as I said.

**Ashya Jain:** Understood sir. Thank you so much. That's all.

**Moderator:** Thank you. The next question is from the line of Sanchit Chawla from Subhkam Ventures. Please go ahead.

**Sanchit Chawla:** So couple of questions from my side. Am I audible?

**Moderator:** Yes, you are audible.

**Sanchit Chawla:** Yes. So I wanted to understand, could you just help me understand how has the margin journey happened from 4% to 9% over the last few years, what were the low-hanging fruits that you've been able to capture? And part B of the same question is now that you've guided for 300 to 400 bps margin expansion over the next three, four years, wanted to understand how those margins will come?

**Sanjay Gandhi:** So, Pallab, shall I take this?

**Pallab Banerjee:** You start first, yes.

**Sanjay Gandhi:** So in terms of the margin improvement, first, we said there were combination of three we have highlighted in our earning calls and we mentioned in the report also, basically the expansion in margins is three or four factors, one is the operating leverage which was there in some of the factories, which we commenced operation but were in the stage of getting stabilized. That really helped in terms of improvement in margin.

The second is the change in the customer mix. Then third is a product, along with them comes a higher margin product and that is the second reason for us to really bring an improvement in the margin. Third is the leveraging of our overseas infrastructure, so we have marketing design offices in U.S., UK, Spain. Now this infrastructure is capable of handling -- generating let's say X number of volume. Earlier it was X by 2, so that helps in overall leveraging of the situation and still we believe there is an opportunity for us to leverage it even further this international infrastructure what we already have.

We stated our journey is from 10% to 12% of EBITDA in next three to four years and Pallab also mentioned in his commentary that with the scale what we are targeting to really grow our number of pieces as we mentioned in February from 51 million pieces of FY'23 based to somewhere close to 90 million to 100 million pieces. I think those scales will give us enough room to really expand our margin and reach that band which we just mentioned on the EBITDA side. Pallab, you may please add in case I missed something.

**Pallab Banerjee:** Yes, I think this is exactly what you mentioned all the three points. So, yes, first is that now we have a very robust governance in terms of how we are investing, what kind of capital allocation, which new factory that is coming up, by how soon it can break even? So those are the strategies

that we have a very, very strong robust governance on that. So that's something is definitely helping us.

Before that if you look at my history and whatever I studied like was a problem that was restricting this margin was this kind of very rigor may not have been done before the expansion because yes, the company was in a very, very high exclusive rate of expansion earlier also but yes, it was not synchronized the top line and the other expansion that was happening.

So that I think we have plugged that one problem. That definitely helped us in a big way. And the infrastructure that always Pearl had being in the international market and have some kind of representation in the countries like England or Spain or U.S., like we built it up much more on it, much more professionalized it, had the right team, right people who can interact with the customers very well. So definitely it was and initially a cost was definitely hitting our bottom line because the volumes were still low.

Now as this volume continues to grow up, we'll continue to see that advantage. Any kind of overhead that you built up in the organization, because if the number goes up, then definitely it helps. So there were two or three things. And any expansion that now we are doing, as Sanjay just mentioned, like it's very, very well planned, what kind of ROI, how soon we can hit it, where is the customer lined up for it, what kind of volume will start with, what kind of product that we'll be making? So those two kind of things are much more well-disciplined. I think we can see broadly the three reasons because of which you are seeing this change.

**Sanchit Chawla:**

Perfect, got that. And my second question was on how is the pricing of the garment decided? So if you give the design to the retailer, can the retailer in turn give those designs to other manufacturers, just wanted to understand what percentage of overall garments your supply have your designs...?

**Pallab Banerjee:**

So there are two things. Normally for a retailer, they have to work always through the retail price points. There's a certain product at a certain location in the store if you walk in on day one or day 360 of the year, you'll see that the price point is very similar at that same location, so it's very difficult for a retailer to change the price. If you're selling a certain product on a particular hangar, on a particular location of the store, let's say of \$19, that will not change if you go back after maybe a couple of years also you might find that the price point remains the same.

So naturally, what they do is always design into that price point. What is the new thing that the customer is looking for, what the fashion trends are so that they can still give attractive interesting product to the consumer but at the same kind of price points. This is the retailers' challenge. Now for us, manufacturers, we also have to take care of other things to get to that what should be the buying price of that. now when we are designing something or when we are talking together with the customer to create a product and then do it we have a better control because we know it from beginning okay this is the price point for which this product is getting designed and this is how this product will be sold at this particular price point.

So whatever I do I can plan much better and then there is the other option is that the certain retailers they have designed something in-house and then they go to maybe 10 different



manufacturers and say like who gives me the best price, get the order. So in that case definitely it's a competitive price in that place. So it doesn't mean that we in the first option when I'm creating a design that I will be getting maybe couple of dollars extra maybe like those 10 cents, 15 cents, 20 cents, 30 cents, 40 cents better than the other one, but yes we get a better control we get a better visibility so that's what is important and matters to us.

**Sanchit Chawla:** Okay so I'm not very clear with this I just wanted to try to understand what is your pricing power here. So if you could just help me with one data point what percentage of your overall garments you supply where you have your own design?

**Pallab Banerjee:** So when we are supplying to the customers today where we have some kind of design input maybe a partial one or a complete one so that number today offhand from top of my head I would be say close to about 50% in which we had certain role to play. So that means like you get an insurance again this is the kind of product that will be booking at the end of the day.

**Sanchit Chawla:** 50%?

**Pallab Banerjee:** Of a total yes.

**Sanchit Chawla:** Perfect. Thank you so much, thanks a lot.

**Moderator:** Thank you. The next question is from the line of Pulkit Singhal from Dalmus Capital Management. Please go ahead.

**Pulkit Singhal:** Thank you for the opportunity and congrats to the management team for an exceptional performance during tough times with good return on capital matrix as well. My first question is on the debtor days when I look at it like 4 years, 5 years ago it used to be in the 45 days-50 days range and I think last year FY24 you've gone it down to 25 days. So can you help us understand what has driven that has there been some substitution of margins to be able to bring down debtor data days and also whether this 25 is sustainable as you scale up in the next 3 years?

**Pallab Banerjee:** So I can start and then Sanjay you can add definitely thank you first of all Mr. Singhal for the question and I think very good inputs always I get from you. Now this particular one like we had done certain policies and strategies at our end in terms of both risk mitigation as well as to ease the working capital. So that particular factoring part is continuing to bring down the number of days that you are seeing and yes like going forward if I have to look at it as I expose myself more in terms of other geographies like let's say to Japan market or to Australia market and all.

Now certain like US market or European market they work more in terms of buy is much more shorter and much more frequent compared to some of the retailers in other these markets which could be they do longer lead time or maybe like they buy twice a year some of them. So those are things will alter a little bit I would say, but we don't see a huge variation. I really like if I look at it if you ask me I think the best would be around 35 to 40 in that range 30 to 40 range maybe maximum 45, but I think that's where like we would continue to retain contain it in the 30s Sanjay why don't you detail it much better.

**Sanjay Gandhi:** Yes. So basically the total working capital days we are we I mean as we keep growing and in the scale what we have envisage or vision to reach is by FY28 with a mix of the customer from Japan, Australia, UK and USA. I think overall net working capital days could be around 35 to 40 days however for the debtors days our target will remain to be hovering around 30 days time period plus minus two three days that's what the target is.

And I think with all the non-recourse financing we have in place for existing one and focus to bring that same kind of a method of realization or mechanics of realization for the new customer we should be continuing to maintain on a debtor days, what Pallab just mentioned about the longer period a little bit inventory that may have elongate the inventory days by 4 to 5 days time period but overall we are looking at net working capital days anywhere between 35 days, 37 days.

**Pulkit Singhal:** And this is compared to 35 for FY24?

**Sanjay Gandhi:** Yes, so FY23 we were 38 days, FY24 we have 30 days. So I'm saying we can be anywhere in the range of 35 days to 40 days for a network working capital days.

**Pulkit Singhal:** Secondly on the capacity front I mean you have 84 million capacity you're doing 57 million sales I mean your capacity addition is going ahead of the utilization. So I'm just trying to understand that why is that necessarily the case that we have to constantly add capacities to utilize rather than increase the utilization in the existing. I understand different factories have different utilization, but what is the challenge you're facing there because India I know that some of your factories are not very efficiently utilized, but can we not like relocate some of them or utilize them better?

**Pallab Banerjee:** Now in terms of in our industry like when we're supplying to some of these international clients to get a factory approved region approved is the biggest hurdle. The entry hurdle is the biggest hurdle like if you look at it. So the compliance norms, the confidence that the teams of the customers would like to have on a factory it takes time, it takes anywhere between 6 months to 18 months if you if you look at to certain customers.

So that's something is I would say a reality of our industry. So wherever we are finding that you know to build an infrastructure and be ready because the good thing is that our factory or the cost that goes on into the factory is something that we can control very well. One is the workers cost like that is something in India especially you're talking about like India has a particular challenge I think.

I'm sure like all other manufacturers must be also facing like it cannot be only us, but we find the attrition and absenteeism rate is a little out of control in India whereas globally we find globally means like if I talk about very other strong regions like Indonesia, Bangladesh and Vietnam and all. We are able to control below 4%.

Whereas India we are still not able to bring down to that level at all. We are almost like double than that number at this point of time. So that's that also is one good thing like if we need to - if we're seeing that the demand is going soft then it doesn't, we don't have to lay off people because

already there is an attrition every month we see that this kind of average 78% people are returning is happening in some of these places where we have the factories.

So definitely two ways we are trying to tackle that. We are going more into the interiors where we don't have to depend on the migratory labor, but on the local level where at least at least this attrition factor will come down, absenteeism we will be experiencing as we start the facilities in these locations, but in terms of capacity the good thing that Pearl has is a combination of our own facilities as well as partnership facilities.

Now if you look at the kind of existing capacity that I had in 2024 and the adjustment that I could do very easily without any cost and still utilize that it's a very healthy number so that doesn't worry me at all. Same thing is for the other locations as well. So that is why we don't see this as a big concern, but yes to be ready to develop a facility to make sure that it is of the highest global standard and some of the retailers like to go through their rigorous process of evaluation and be ready with them. So that that is something like we continue to be always upfront about.

**Pulkit Singhal:**

Understood. My third question is just on the guidance itself I know you've talked about the 4 year guidance can you just very specifically quantify for FY25 what is the kind of revenue growth band and margin band that you're expecting because I think you have visibility at least for the first half or next 4 months, 5 months of growth, so if you would give some sense?

**Sanjay Gandhi:**

Thank you, Mr. Singhal. That's a question that you always are very direct about in all our calls. So yes, definitely the market is has come out of that US inventory issue that that we had earlier so definitely we are back on track on in terms of what we have always said that all our strategies are towards having CAGR of 15% to 18% to even as high as 20% that will continue to thrive on that direction so if you're asking me for this particular year I'm seeing that okay we are solidly on track at least in that direction as of now.

**Pulkit Singhal:**

Okay. And for the margins?

**Sanjay Gandhi:**

Margins, yes, the international, locations that we have definitely a very solid control, and we have as you can see in our results that is coming through. In India, the challenges that we are doing like we are definitely learning every day and we are also having a lot of solutions that digital solutions, the digitization of our factory the processes the governance.

So it is this always evolving and we are getting more and more confident on that so we'll see a good margin from all the locations going forward. So, in general, in our internally like we every location has to generate that margin so that's something like we internally always strive for but yes one place may have a bit of more challenges compared to the others so that's something that we have to always overcome.

**Pulkit Singhal:**

Just, last quick question is on finance cost, it has gone up from INR47 crores to INR83 crores in two years whereas your gross debt has actually come down a bit and I understand there's some element of leasing aspect as well but still the cost has gone up quite sizably, how should we look at this line item over the next two years, three years because you are generating quite a big good amount of cashflows, although they're not really paying down the debt for some reason.

**Pallab Banerjee:** But yes, this is high on our list as well so we are working on this. So, Sanjay maybe that you can add.

**Sanjay Gandhi:** So, finance costs you mentioned there is an interest on lease liability almost INR13.6 crores and that has risen from INR8 crores so you see the almost INR5 crores to INR6 crores increase is on account of interest on lease liability, otherwise if you look at there is increase also. But in terms of INR83 crores of total finance cost the interest on term loan and the working capital is around INR46.8 crores, the rest we have the other borrowing cost, which we have a factoring and plus the LC charges largely and other, the processing fees which is to be paid to the bank for renewal of all our facility across the location. With the reduction in the interest rate there will be definitely optimization and with the cash accrual also there is a definitely an opportunity to keep the interest cost under control.

Also we are looking at – we'll keep looking at some of the prepayment of long-term loan, which the cost is interest cost is high at this point in time. Having said that the leverage is something which we are very conscious of it and leverage will go in line with the growth strategy, keeping a, optimum combination, we as a company has been a conservative in terms of taking a too much loan. But at the same time when there will be some growth opportunity, growth capex will be incurred there will be some loan which also be taken but at the same time we are cognizant, we are conscious of this high interest, we are monitoring it and taking all steps which are required to control it. I think our rating improvement has also helped up in keeping the interest cost under control as far as India operation is concerned and overseas also we are looking at improvement reduction in the cost and also using internal accrual to bring it down wherever there is an opportunity to do that.

**Pulkit Singhal:** Thank you. And all the best.

**Moderator:** Thank you. The next question is from the line of Varun Gajaria from Omkara Capital. Please go ahead.

**Varun Gajaria:** Hi sir, congratulations on a good set of numbers...

**Moderator:** May I request that you use your handset. Your audio is not clear, sir.

**Varun Gajaria:** Now.

**Moderator:** No sir, we are unable to hear you.

**Varun Gajaria:** Okay, I will get back to you.

**Moderator:** If you could use your handset sir.

**Varun Gajaria:** Yes, I am using my handset actually if you get some problem at my end. I'll take it offline.

**Moderator:** Yes, thank you, sir. Ladies and gentlemen, as there are no further questions I now hand the conference over to the management for closing comments.

**Pallab Banerjee:** Is Varun able to speak Mr. Varun can you...

**Moderator:** Sir, he said, he will take it offline. He has an audio issues from his end.

**Pallab Banerjee:** Okay.

**Sanjay Gandhi:** Thank you everyone for joining on the call. I hope we have been able to address all your queries. For any further information kindly get in touch with, Strategic Growth advisor our Investor Relations advisor.

**Pallab Banerjee:** Thank You.

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