

PGIL/SE/2024-25/99

Date: February 18, 2025

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DEPARTMENT OF CORPORATE SERVICES -
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THE GENERAL MANAGER,
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NATIONAL STOCK EXCHANGE OF INDIA LTD.
“EXCHANGE PLAZA”, PLOT NO. C- 1,
G- BLOCK, BANDRA - KURLA COMPLEX,
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MUMBAI - 400 051

Reg: Scrip Code: BSE-532808;

NSE – PGIL

Sub: Transcript of Conference Call

Dear Sir/Madam,

In continuation of our letter no. PGIL/SE/2024-25/95 dated February 12, 2025, please find enclosed herewith the transcript of the Conference Call held with Investors / Analyst on February 12, 2025, to discuss the Company's financial results for the quarter and nine months ended December 31, 2024.

You are requested to take the same on your records.

Thanking you,

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

(Shilpa Saraf)
Company Secretary & Compliance Officer
ICSI Mem. No. ACS-23564

Pearl Global Industries Limited

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“Pearl Global Industries Limited Q3 FY25 Earnings Conference Call”

February 12, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 12th February 2025 will prevail.”

**MANAGEMENT: MR. PALLAB BANERJEE – MANAGING DIRECTOR,
PEARL GLOBAL INDUSTRIES LIMITED
MR. SANJAY GANDHI – GROUP CFO, PEARL GLOBAL
INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9-months FY25 Earnings Conference Call of Pearl Global Industries Limited.

This conference 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 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 ‘*’, then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pallab Banerjee - the Managing Director of Pearl Global Industries Limited. Thank you and over to you, sir.

Pallab Banerjee: I will start from the beginning. Good afternoon. I welcome you to our Q3 and the 9-month Financial Year ‘25 Earnings Conference Call.

Along with me, we have our Group CFO – Mr. Sanjay Gandhi and the Strategic Growth Advisors, our Investor Relations Advisors. I hope all of you have had a chance to go through the results and investor presentation uploaded on the exchange and our company website.

I am pleased to report that the growth momentum we built in the first half of the fiscal year further carried forward in Quarter 3, helping us to achieve the highest consolidated Quarter 3 and the 9-months revenue, adjusted EBITDA and profitability.

During this 9-month of Financial Year ‘25, we experienced a 28.1% increase in our consolidated revenue driven by healthy growth in sales volume across all our geographies. We also achieved a 25.5% increase in the adjusted EBITDA on a consolidated basis for 9-months of Financial Year’25. This success showcases the strength of our leadership and the operational efficiency, reinforcing our position as a prominent global manufacturer. Our consistent growth is attributed to our ability to leverage key strengths such as multi-country footprint, diverse product lines, in-market design proficiency and strong customer relationships. Our performance for the quarter has been largely fueled by strong volume growth from the existing customers and growing the wallet shares with the clients acquired over the last 5 years.

Now, let me present an overview of the industry landscape and our business outlook:

The textile and apparel market are showing signs of recovery after the challenges faced in the 2023 and part of 2024. The key factors driving this rebound include improving consumer sentiment, steady rise in the demand for casual and athleisurewear and using up of supply chain disruption. Although the recovery is still cautious, it points to a promising outlook for the industry. The US apparel stores showed notable resilience in 2024 with estimated sales hitting

\$29.5 billion basis of 2024 December numbers, which is 6% higher on a year-on-year basis. We expect consumer spending to remain robust and steady throughout this year ahead. Over the past few years, the US market has experienced an annual growth rate of 2%-5% and this trend is likely to persist in the next few years.

As of November 2024, the year-to-date apparel imports into the US has risen by a percentage point compared to the previous year that stood at \$73.9 billion. This growth is largely fueled by an optimistic outlook of the inventory levels and the overall demand trends. Recent updates from retailers highlight reduced inventory levels indicating consistent and stable demand in the market. The year-to-date apparel imports into the European Union has also risen by a percentage point as of November 2024, while UK and Japan have experienced declines. We have started seeing an improvement in these markets and we anticipate further improvements here. We are servicing brands and retailers from UK and Japan who have strong international presence and have been growing. Our shares of business from these two countries are increasing steadily and strategically.

For European Union, as I stated in earlier calls that Bangladesh presented us a significant jump in our presence through the Inditex group of brands. As we expand, our market presence across these regions, our order book share from US based customers versus non-US based customers is trending towards 65-35. You may recall this was 85-15 three years back. Among the non-US customers, the largest segments are from EU European Union, followed by Japan, Australia and UK, and then finally Canada. However, since many of these customers have global store networks, our ship to country data may vary.

Now, coming to our manufacturing centers:

Starting with Guatemala, we continue to attract increasing interest and inquiries from our customers as the transit time to US is just over a week. However, the overall capacity of Central America and even for us in Guatemala remains limited and is only a fraction of what we do out of Asia. During the quarter which has gone by, we did see some impact in the regions performance as we have incurred additional cost in operations at Guatemala facility as we have increased our production lines up to 12 lines now, which is operational, which further demands additional manpower, employing business heads, training cost, etc. Looking ahead, we expect a significant improvement in this Guatemala facility by next year with a cash breakeven point anticipated. The two key factors driving this positive outlook are one, appointing of an experienced professional to head this operation. Earlier, our minority partner was duplicating this role. And the second point is onboarding of a marquee customer whose production has started already is a year round by that this customer is doing with us and we have seen significant greater initial results.

Now, moving on to the next country, Bangladesh:

In the initial part of last quarter, Bangladesh underwent a period of unrest followed by a change in government and had faced a curfew shutdown. Those of you tracking the apparel export

figures of Bangladesh may have noticed that it is forecasted to be anywhere between flat to last year or -7%. Despite the political unrest that ensued in 2024 till the month of August, we continue to witness the highest shipment volumes during this period from our factories and with zero delays in our deliveries. We are happy to share that their growth momentum continued in Quarter 3 as well. We have reported a robust performance from our Bangladesh operations and our order book continues to be very strong. We are confident of improved performance from this region in the coming quarters as well.

Currently, all our facilities are running at optimum utilization, and we are seeing a greater willingness amongst our partner's factories for even greater collaboration with us. Our European Union and UK customers are keen to strategically guide and support us in this growth journey. This country of Bangladesh still has advantages of lower cost, higher efficiency, productivity, availability of skilled workforce and a well experienced middle and lower-level management staff along with the favorable trade agreements with important markets that of European Union, UK, Canada, Australia and China. It continues to improve its logistics infrastructure. This will continue to keep them ahead of competition from other geographies and continues to be an attractive destination for the international brands and retailers for apparel. We are actively evaluating value accretive capacity expansion opportunities to tap on this growth opportunity that we are facing in Bangladesh.

Moving to our performance in Vietnam:

We have seen strong growth from this country in this quarter as well. We are confident in maintaining this upward trajectory. We have entered into a new partnership factory, and we expect to see growth in Vietnam next year as well. We will continue to expand in this geography at a steady pace while providing exceptional service for our higher-end customers.

Talking about Indonesia:

Indonesia is on track to recover its performance levels following a decline over the past 2 years. Our new factory is now fully operational, receiving positive feedback from both existing and the new set of customers. We will steadily scale up production lines and output over the next couple of quarters. This recovery is expected to drive a 20% plus growth in both volume and value in the coming financial year. Supported by strong customer demand, additionally we remain committed to serving our higher-end customers from this region as well.

Talking about India:

We have reported a robust performance in India, which grew by 49.5% year-on-year in Quarter 3 Financial Year '25 and 26.1% year-on-year in the 9-month of Financial Year '25. Our adjusted EBITDA margin stood at 3.7% in Quarter 3 Financial Year '25. On the margin front in India, we still have large scope to grow significantly. We augmented our capacities in our existing facilities in metros of Gurgaon, Bangalore and Chennai over the last 10-12 months and we are further in process of adding newer capacities in the Tier-2 cities of Muzaffarpur in Bihar as our

own factory and in Bhubaneswar as a partnership factory. Also, as highlighted in the last earnings call, the Madhya Pradesh facility will be launched once we assess the progress of these factories in the Tier-2 cities in the Eastern part of India, Muzaffarpur and Bhuvneshwar. So, from India, we already have and we foresee good order book for upcoming spring and summer seasons products. Historically, Q4 is generally the best quarter for Indian operations. We again foresee this year. Our goal is to first work towards achieving high single digit EBITDA in India and we are making significant efforts to march towards the same.

In summary:

All our initiatives are on track and progressing as planned. We continue to strengthen our relationship with key customers, particularly those expanding their presence in the global market. Our focus remains on consistently surpassing previous milestones in revenue, production capacity, and operational efficiencies, which will directly contribute to enhance our profitability. We are confident that we are on track to meet both our topline and bottomline forecasts for the year while staying aligned with the strategic objectives we have set for 2028 as shared with you in our earlier calls.

Now, I will hand it over to Sanjay - our Group CFO, who will provide a detailed overview of the Quarter 3 and the 9-months financials of financial year 2025. Sanjay, over to you.

Sanjay Gandhi:

Thank you, Pallab. Good afternoon, everyone. Welcome to our Quarter 3 and 9-months FY25 Earnings Call.

I will now walk you through our financial and operational performance for the Quarter and 9-months ended 31st December 2024.

Starting with our consolidated financial:

We are pleased to report the highest ever Quarter 3- and 9-months performance in terms of consolidated revenue, adjusted EBITDA and profitability. In Quarter 3 FY25, our revenues reached INR 1,022.5 crores, making a substantial year-on-year increase of 45.3%. For 9-months, FY25 revenue grew by 28.1% year-on-year to INR 3,277.2 crores. The revenue growth was driven by strong sales performance in key market across geographies supported by robust order book and healthy growth in sales volume Adjusted EBITDA excluding other income for Quarter 3 FY25 increased to INR 92.6 crores reflecting a growth of 35.1% year-on-year. The adjusted EBITDA margin for the quarter stood at 9.1%.

We are also pleased to share that we crossed the INR 250 crore mark for consolidated adjusted EBITDA in 9-month period. Adjusted EBITDA increased by 25.5% year-on-year to INR 291.8 crore with an adjusted EBITDA margin of 8.9%. This growth in EBITDA is in line with our revenue performance. Please note that adjusted EBITDA excludes ESOP expense of INR 1.3 crore in Quarter 3 FY25 and INR 5.4 crore in 9-months FY25. We have witnessed certain onetime costs, such as in Gautemala, we are increasing our production line and in India we are

scaling up our Bihar facility. Excluding this one-off, the growth would have been better than what is currently reported.

Profit after tax for Quarter 3 FY25 grew to INR 48.2 crores reflecting a growth of 42.6% year-on-year. For 9-months FY25, PAT increased by 38% year-on-year to INR 165.8 crores. Happy to share that adjusted PBT and PAT has almost touched the level of financial year 24 in the 9-months period itself. If you look at PAT after minority interest, it increased by 57.4% year-on-year to INR 56.3 crores in Quarter 3 FY25 and by 45.8% year-on-year to INR 180.1 crores in 9-months FY25. The PAT after minority interest margin stood at 5.5% for both Quarter 3 and 9-month FY25. Please note that 9-month FY25 included an exceptional gain of INR 1.4 crores, which is on account of gain of sale of non-core asset and one-time QIP expenses. We have reported a strong EPS at Rs. 12.52 in Quarter 3 FY25 compared to INR 8.25 in Quarter 3 FY24. For the 9 months FY25, we have reported EPS of INR 40.07 compared to INR 28.47 in 9-months FY24.

Turning to our standalone financials for Quarter 3 FY25:

Revenue increased to INR 235.5 crores, a robust 49.4% year-on-year increase. Revenue for 9-months FY25 grew by 26.1% year-on-year to INR 798.7 crores. This increase in revenue reflects growth from wallet share expansion from existing customers.

Adjusted EBITDA excluding other income for Quarter 3 FY25 improved to INR 8.6 crore compared to the loss of INR 0.8 crore in Quarter 3 FY24 with a margin of 3.7%.

For 9-months, however, adjusted EBITDA declined by 9% to INR 26.1 crores with a margin of 3.3%. PAT for Quarter 3 FY25 grew by 18.3% to INR 4.2 crores. For 9-months FY25, PAT increased substantially by 93.8% on year-on-year to INR 31.7 crores. Please note that 9-month FY25 included an exceptional gain of INR 2 crores. We have reported EPS at INR 0.93 in Quarter 3 FY25 compared to INR 0.82 in Quarter 3 FY24. For 9-months FY25, we have reported a strong EPS of INR 7.04 compared to INR 3.77 in 9-months FY24.

Our product portfolio in India is heavily oriented towards summer and spring season with quarter 4 expected to be the strongest quarter. India has considerable potential for growth with capacity utilization projects to rise. We are fully prepared for these expansion opportunities. In India, as we have highlighted in our earlier call as well, we are investing INR 35 crores approximately in total capital expenditure in Bihar with approximately INR 22 crores allocated to Phase-1 which will be capitalized by March-April. The facility currently operates 100 machines and an additional 300 plus machine will be operational by March-April.

Our Bangladesh operations continue to demonstrate strong performance with all our factories running at optimum utilization. A strong order book in hand, we are confident of continued improved performance of the region in the foreseeable future. We are actively evaluating value accretive capacity expansion opportunities. We are receiving many queries from partnership in the region, and we are actively evaluating the opportunities. Once the diligence is completed,

we will be evaluating the final CAPEX requirement by end of quarter 4 of the coming quarter 1 FY26. As communicated, we have already committed INR 21 crore for Indonesia acquisitions. This incremental investment is likely to yield ROCE of 20% plus from FY26 onward.

In Vietnam, we have entered into long-term arrangement with existing partnership factory. This further fortifies our relationship with a partner factory for long periods. Please note that such arrangement has been done to secure good capacity for long term and it also opens up more collaboration opportunities. For 9-months FY25, our sales volume has reached 53.8 million pieces compared to 39.8 million pieces in the same period of FY24. Our average realization per piece continues to be around Rs. 600 per piece. Please note average realization is a function of product mix, customer mix. Looking ahead to the next quarter, we expect volume to rise, bringing us to a capacity utilization rate of almost 20% adjusted of the SAM. By the end of this year, we expect to reach around 90 million pieces of installed capacity. By FY26, we anticipate this figure will rise to 105-110 million pieces and by FY27, we expect to reach 125-130 million pieces. This growth trajectory positions us well to achieve our target of growing our topline to Rs. 6,000 crores by FY28 with double digit EBITDA growth being an attainable goal.

We are happy to share that our long-term credit rating has been upgraded to ICRA A stable from ICRA A- stable, whereas our short-term credit rating has been upgraded to ICRA A1 from ICRA A2+. The rating upgrade was on the back of a couple of factors such as healthy performance in H1 FY25, comfortable return matrix, multinational presence and improved debt to operating profit ratios, etc. This result into lower borrowing costs and easy access to new credit lines.

To summarize, we have delivered a robust performance in the 9-months FY25, combined with a strong endeavors, customer base as well. As our broad geographical presence, we are well positioned for continued growth in the year ahead. We can now open for question and answers. Thank you.

Moderator:

Thank you, sir. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.

Bhavya Gandhi:

Thanks for the opportunity and congratulations on a good set of numbers. So, just wanted to understand what is the overall capacity utilization because you mentioned that 90 million is the installed capacity for the year, so are we peaking out at 90% capacity utilization because if we bake in for the fourth quarter, we are very close to 90% capacity utilization, just wanted to understand on that?

Pallab Banerjee:

Thank you, Bhavya. So, first of all this capacity what we publish, we publish the existing capacity that we have as an organization on 31st of March every year. So, last year, when we calculated the capacity, that means all the factories that we had, what is the maximum potential

capacity that we could have run those factories that was coming out to be 83.9 million, almost 84 million pieces and our utilization, this number of pieces that we had shipped and built to the customers was approximately about 56-57 million around that. So, this year we are seeing already like our order book is crossing, I think about 74 million odd numbers. So, definitely, you see, like that utilization will become better if we are talking about the existing capacity that we had at the beginning of this particular year. But as the year continues, we continue to invest, so wherever we see, there is an opportunity to add capacity or a new facility like the Bihar that is coming up, so whatever number that we will be publishing on this 31st of March 2025 will be a significantly higher number compared to last year because our goal is to cross that number that we have already given to you by 2028 and continue our journey to be a much bigger approximately, so that is what the journey that we are in. Sanjay, you want to add something on this?

Sanjay Gandhi: Yes, Mr. Bhavya, you mentioned about 90 million pieces, as you said 90 million plus pieces around 31st March 25. Our capacity utilization will hover as I mentioned adjusted to stand around 78%-80%. So, there is a continuous addition of the capacity and then there is a utilization which is what we mentioned in our call.

Bhavya Gandhi: Right. Got it. And sir, because on the lower base on a Y-on-Y basis, we have seen big volume growth of 66%, but next year onwards, once the inventory gets rationalized, when it comes to US markets also, so will we still maintain like a double-digit sort of volume growth here on also? I understand that we are building capacity, but from a demand perspective, if you can throw some light?

Pallab Banerjee: See, how we are creating demand is increasing the wallet share of our existing customers that we have added earlier like till date, whatever customer that we have. Wherever we see that the customer is going strong, we are definitely trying to grab more and more wallet share of the customer. And at the same time, we are also finding out the new customers like who we think are the players for the future. As we become a growing company, we look forward to the growing customers like who are financially sound and have a good strong future what we see from our understanding in terms of how they are capturing the market or how they are performing. So, that exercise continues parallelly. So, definitely we are not into like typically commodity marketing, which depends on the market size, how it grows and how it shrinks. Ours is more strategic driven with targeting customers across the globe.

Bhavya Gandhi: Got it. And just one last thing, if you can just help me tally the 15 million incremental capacity where exactly in terms of pieces are we going to add, piece wise if you can just help me understand in terms of million pieces? Maybe if you can just throw some light on Bihar, Indonesia and Vietnam, number of million pieces that we are going to add?

Sanjay Gandhi: So, we have even at the group level, the capacity which is anticipated is 105-110 by end of FY26 and by FY27, 125-130 million pieces. So, as per the geographical mix is concerned, as I mentioned earlier, there are many opportunities which are under diligence. The main criteria is to really see how to maximize the return on capital employed. And if that is in Bangladesh or

Vietnam or Indonesia or India will be accordingly evaluated and implemented. As soon as we keep committing CAPEX in across geography, we will keep updating as we mentioned at Bihar, we have done here, Indonesia, we are acquiring the stake, it will have an incremental impact not on the capacity, but the earnings growth will be there which will be accretive to the shareholder and to the PGIL. And so like that we will keep updating you on the capacity as it get added. It is a geographical split....

Pallab Banerjee: See, if I have to give you a little bit broader idea in terms of which geography will be bigger than the others, then yes, the maximum growth you will see is from Bangladesh, India or Bangladesh, India, these kind of countries followed by Vietnam and then Indonesia. So, that is the kind of preference that is there.

Bhavya Gandhi: Great, sir and thank you and all the best. That is it from my end. I will be back in queue.

Moderator: Thank you. The next question comes from the line of Arnav Sakhuja from Ambit. Please go ahead.

Arnav Sakhuja: Thanks for taking my question. So, I just wanted to know, so was there any impact of the rupee depreciation for our company? If so, how does this impact us?

Sanjay Gandhi: So, we have entire export from India. We are not importing any fabric in India. I mean it is a very miniscule level. So, the depreciation of currency it only benefits us in improving the topline and the bottomline. We have a hedging strategy, but we are taking a hedging forward cover in a very calibrated manner and we take some 20%-30% of the order book get hedged. The rest because of the depreciation in the currency is kept open which result in a higher realization for us and hence a higher exchange gain and everything. So, it is only a favorable impact as far as the rupee depreciation is concerned for us.

Arnav Sakhuja: Thank you. And I was also noticing that we had a year-on-year fall in the gross margin. So, what was the main reason for this? Was it for just a product mix or something along those lines?

Sanjay Gandhi: So, I guess you are referring to quarter number?

Arnav Sakhuja: Yes, Quarter 3.

Sanjay Gandhi: So, the gross margin is a mix of a product mix. If you see if the gross margin is coming down that is the only case, the manufacturing costs also come down. So, the resulting EBITDA remains almost at the same level, or it improves only. So, overall, when we look at a product, one is a gross margin, then the gross contribution, I would say, so the gross contribution has come down from 56.68%-50.50%. The gross margin, which is after the manufacturing gross has remained the same because the manufacturing cost has come down because the product mix has changed the number of minutes are required to produce a style has really come down, hence the lesser manufacturing cost. So, we got to see the gross margin level, not at the gross contribution level

when we look at a product mix and everything. But yes, it is a function of the product mix, the gross contribution which is reflected in the gross profit margin gets changed accordingly.

Arnav Sakhuja: Thanks for answering my question.

Moderator: Thank you. A reminder to all participants, please press ‘*’ and ‘1’ to ask a question. The next question comes from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Thank you for the opportunity. Sir, my first question is on the line of expansion that we are seeing from 90 million pieces to 130 million pieces. So, I wanted to know what is the total estimated CAPEX that we need to incur over the period of next 2-3 years to reach this 130 million pieces. And does this 130 million number include the tie up that like we have done in Vietnam recently with factories So, I want to know how is it exclusively our capacity that you are going to put?

Pallab Banerjee: Thank you, this is a good question. So, what we did is 2024 February, we presented a plan that where we will be by 2028 financial year end. Of course, this is just a snapshot of one particular period. We continue, our aim is to grow further definitely, but just to give a horizon like 2028 financial year end where we should be. So, on that basis what we saw that our capacity by that year end should be in that range of about 130 million pieces across the globe. So, that is the snapshot that we had prepared. And since then like anything that we are doing, like all the expansion, whether in the existing factories, also what we are doing is in terms of additional factories, both are part of that journey itself. And the Vietnam collaboration that we have done is part of that strategy itself.

Vignesh Iyer: Any number, maybe you might not be able to give the number till 130 million pieces, but any number for this quarter 4 plus FY26 on the CAPEX side?

Sanjay Gandhi: So, on the CAPEX, quarter 4, we mentioned that we have already committed one CAPEX of Rs. 35 crores plus we are also, I am talking about a growth CAPEX right now. There are other CAPEX also which are being incurred like we are doing CAPEX for renewable energy, solar energy setup in India about close to a million dollar. That I am not mentioning as of now. In terms of the growth CAPEX Rs. 35 crores is what is committed here. And then, we have committed certain commitment amount with the partnership factory in Vietnam. There are CAPEX under evaluation in Bangladesh. I mentioned in my commentary that by end of this quarter or early next year, first quarter, April or May we should be able to crystallize the final amount of CAPEX, which will be committed for implementation. As I mentioned, if you look at the installation, the capacity, how it is increasing, it is expected that large part of CAPEX will be committed in FY26 which will take us to 125-130 million pieces capacity.

Vignesh Iyer: Just one question from my side. So, I wanted to understand what is our total FOREX gain that we made in Quarter 3 FY25 and wanted to know is it accounted as part of adjusting the finance cost because if I understand it right, in other income you have not reported the same, right?

- Sanjay Gandhi:** So, FOREX gain can get reported in other income only. It is not included in EBITDA. That is point number one. As far as the FOREX hedging accounting, there is a principle which follow whereby there is a detailed accounting standard we are following it up, so the FOREX gain has two legs, one it goes into sales figure, the second, which is not directly relatable, cannot have a direct contract with the sales realization, it goes as a part of other income, so the scale which is coming in the part of other income only.
- Vignesh Iyer:** Sir, what is the number, total number because there notes to Number 5 only highlight the dividend that you have received from your foreign subsidiary in other income, the other breakup was not given, so that is why?
- Sanjay Gandhi:** Yes. So, there is a realized and unrealized which is there. I think we can take it offline to really make use explain you where the numbers are lying, then that can be added. But our annual report, with complete notes to account, has all the details, which is, how much is the gain coming and where it is lying in that way. We can explain your number a little later also as a complete our accounting on FOREX exchange gain and FOREX exchange transmission as well. It will take little time to explain all the entire accounting process and we can discuss that offline. You can reach out to us. We can surely explain that.
- Vignesh Iyer:** Sure. Thank you, sir. Yes, that is all from my side. I will get back in the queue.
- Moderator:** Thank you. A reminder to all participants, please press ‘*’ and ‘1’ to ask a question. The next question comes from the line of Saurabh Kumar from Scientific Investing. Please go ahead.
- Saurabh Kumar:** Hello, sir. Congrats for the good set of numbers and I think a few years back we had a 4-year vision where we looked for good revenue growth rate and also the margin improvement, I think somewhere around 12% EBITDA margin. This year, the results are great, but we have not seen much improvement in the margin if we take that 12% number. So, are we still sticking to it and what would lead to cover this gap and how you plan to achieve it if you can?
- Sanjay Gandhi:** So, thank you, Mr. Saurabh for this question. Our plan to reach a double-digit EBITDA remains intact. We are very clearly heading in that direction where double digit EBITDA will be there. What we have stated is that between 10%-12% by FY28 and that is our target remain is there and we are heading in that direction. Coming to the current year margin, there are two functions, one we have to look at it. I will first answer on the percentage of EBITDA. As we have mentioned that current quarter EBITDA got impacted because of the ramp up of the operation in Guatemala and Bihar. If we add all those one-off cost, I think will be coming close to slightly higher than what was reported in the last year before which was 9.74%, we should be around 9.8% kind of EBITDA. Now, the second part, which I would like to just mention is that when we are looking at the growth in revenue, I think return on capital employed also become very important parameter to decide on the growth. So, as the absolute amount of growth of EBITDA is growing, our return on capital employed also keep growing in that proportion. As we speak for the full year, though we have a target of having a 20% plus, but the full year we have been able to sustain at 25% plus return on capital employed. So, these two criteria will play an

important role while we are deciding on revenue growth. Definitely, the EBITDA as a percentage is also very important target for us to achieve a 10% plus excluding other income and foreign exchange gain. So, that is what we are working towards it. However, our decision making, when we look at revenue growth opportunities, the return on capital employed also plays an important role while we are looking for business expansion. So, both the metrics will play an important role in our decision making for the growth as well as profitability improvement going forward. In any case even if the EBITDA as an absolute amount is increasing, our EPS and our book value keep on increasing while we keep working on, so as and when the double-digit EBITDA kicks in that will further improve our profitability.

Saurabh Kumar:

Amazing, sir. Two more questions, one on Bangladesh side, like last quarter, we know that Bangladesh is integral part of our growth strategy, but you were little kind of you needed more time to come back on the long-term plans on Bangladesh and we continue to do well, the numbers are really good. So, is it like all the issues which were there in Bangladesh, they are over and we can expect things to be smooth from here? That is one and second on the US side. So, the last cycle inventory issues which happened, COVID was a onetime phenomenon, maybe people were doing a lot of shopping and companies were building inventory. So, is this a typical cycle in US market or like how the US inventory cycles behave if you can give some idea of that from your last 10-20 years of industry experience?

Pallab Banerjee:

Thank you. I will take that. First of all, the Bangladesh growth strategy, Bangladesh, definitely we are a strong believer in Bangladesh as we have been speaking in all our calls and our performance in Bangladesh over the last 3 quarters has been really good and we also look forward to continuously growing this market. Yes, when we spoke about, let us say, 6 months back and we were really looking into the opportunity of growth. That is the time Bangladesh was undergoing some significant changes. So, there were lot of good factories or other assets, I would not say a business, but more of an asset was available and we were almost finalizing. Then what this turmoil taught us is that the links because in this kind of country, like, where the money came from and lot of financial irregularities that surfaced after this change of regime, so that made us much more cautious about going for a ready asset. So, our banking is done through most of the international partners. We have a local partner as well and we go very conservative on the local in Bangladesh. And that is one of our pillar of success in Bangladesh and despite all this turmoil and all we have been performing very well and very secured both from customer point of view and from the workforce point of view as well as financial point of view. So, that is something we will continue to maintain. We have now changed that strategy of acquiring ready factory rather than going in that direction that we are going in the other direction, so that we have to make and so it slows down a bit, but I think we are solidly on target on that. That is why Sanjay is saying that within the next 3-4 months, you will hear from us about our investment plans in Bangladesh and some of these facilities that will be adding up. Then, whether it is smooth, yes, we feel that the country is doing quite well, in fact in my just now the speech what I talked about that this particular year, it is some people are guessing it is -7%, some people are talking about flat, but BGME their authorized website is talking about already the growth happening from \$35-\$38 billion. So, they are showing growth. We don't know like this is all we verified, the numbers will get verified over the next weeks and months. So, we should be

knowing that. What I am trying to say is that this also proves that Bangladesh has a lot of things left in it and it will continue to grow. It is still an important destination for all the international retailers. Working is becoming more and more smooth. There were few big players who went under and because a lot of financial irregularities were found by the new regime and that affected some of the working in certain spots of Bangladesh like Ashulia and all. Fortunately for us, none of our factories were in those areas and where we have been working like there have been no disturbance and working has been very smooth and very strong. So, that is what is about Bangladesh. The second part of your question was the US inventory. I have been working in US for more than 30 years now and this is the first time post pandemic what we saw what happened. So, normally what happened with US retailers, there is a heavy markdown that market believes in heavy markdown and clearance of inventory. They never used to store the inventory. Now, this particular year of 2021-22 was a big exception. At that point of time, the logistics time was very high. The goods shipped even from China, which normally takes only about 18-19 days or 20 days, was taking as high as 75-100 days and so is from other countries like India, Indonesia, Vietnam, all these places, Bangladesh. So, because of such a high lead time, the goods were not in the store and the stores were doing extremely well because consumers were spending money. So, naturally, the merchants thought that they could buy more and they bought really aggressively at that point of time. And by the time these goods were reaching US, the war had started in Ukraine and it affected the petroleum prices and the whole world was experiencing inflation. So, that really killed the sentiment of the consumers and that is how by the time the goods were reaching, there were no sales that was happening in the stores. So, that resulted in a lot of inventory which they didn't go for a clearance. They stored those inventory for 1 full year or 1-1/2 years at US and various locations and also the goods which were yet to ship from the factories and the vendors they were held at the vendors. So, that is how this whole inventory situation got created in the first place in that year, and which got I think now fortunately cleared, and I don't see this is such an exceptional, I would say even that I saw in 30 years. I don't think it will be happening so soon again. Does it answer both of your questions?

Saurabh Kumar: Yes. Thanks for such a detailed and candid reply, sir and wish you all the best.

Pallab Banerjee: Thank you.

Moderator: Thank you. A reminder to all participants, please press '*' and '1' to ask a question. The next question comes from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia: Thanks for the opportunity and congratulations on a very good set of numbers. Sir, I just had one question in regards to the previous participant, what was the volume growth in case of Bangladesh at this time? And how much of it would you consider it as a one-off because of the unrest and what is a more sustainable volume growth in case of Bangladesh, we could do?

Pallab Banerjee: So, Bangladesh as a country, I was saying that the numbers are getting published from January to December. You see, like Bangladesh, we all knew where in the \$45 billion mark till year before last and then, interestingly, what happened was in Bangladesh, the bank said where is this \$45 billion? We didn't receive the money. If the country has exported that much of goods then

that much of money would have come in. So, that is how like all these things started happening in Bangladesh and now that number got revised that means the incoming of the money was set that \$35 billion in 2023, officially by Bangladeshi authorities. So, this year, if you go to their website, if you go to the bgme.com, you will see that number, they are publishing is 38 billion. So, that means they are claiming that the overall number of the country has grown, despite this turmoil that has happened, political turmoil, as we have seen in Bangladesh. In regards to Pearl, what we are seeing is we have grown significantly, like if I look at the numbers, it will be like high 30s that we are growing. So, that is because of the two factors, one as a foreign player like we are very well disciplined and well organized out there and run by very professionally and second part is that there were some of these big players, really big players, the biggest of the players in Bangladesh who had financial irregularities and had to shut down their operations are significantly went down. So, the customers, mainly the European customers who get the GSP benefit, they had a choice either to move out the business from Bangladesh and take to other countries which are other countries. If they go to Cambodia, they get the same GSP benefit that means 10% duty when they get goods land in the European countries or UK country whereas if they come to countries like India or Vietnam, they pay other extra duty of 10%. So, naturally their choice was to place the business with some other vendor, which are much more stable vendor and that is where like people like us got the benefit and similarly not only us, there are other benefits, people also have gone grown significantly this year in Bangladesh. So, that is what has happened. So, yes, in nutshell, our business has been up more than 30 plus and a high 30s I would say.

Kunal Bhatia: And sir, this would be more volume driven, right?

Pallab Banerjee: Volume of course, like volume means number and dollars forth.

Kunal Bhatia: And sir, how much of this you expect to continue, from next year do you believe that there is a higher proportion of one-off in this quarter or do you believe now this is a new normal?

Pallab Banerjee: So, that is something like our overall strategy as I just mentioned earlier. So, we are talking of wallet share with existing customers and also we are inputting newer customers and then aggressively growing with them. The virtue of our design strength like we have a design, strong design presence in countries like Spain and Europe and UK. So, we are definitely capitalizing on that. So, because of this, we will be also adding new customers and growing the wallet share of the existing customers. So, that is independent of what is happening in the country or what is happening as what you call macro factor in those regions. So, we definitely are putting all our strategies in place to have that growth. So, that is why we will continue to have a growth, it may not be this kind of significant jump, but there will be continuous growth. So, that if you remember like always, we say that all our strategies have been built on a cumulative growth of at least the topline should be going in the rate of 15% plus growth.

Kunal Bhatia: And thank you so much for this and how much will be the 9-months growth for Bangladesh?

Sanjay Gandhi: You are referring to Pearl numbers?

Kunal Bhatia: Pearl, yes.

Sanjay Gandhi: So, this is what Pallab mentioned in high of 30 that is what the volume growth has been there.

Kunal Bhatia: Thank you.

Moderator: Thank you. The next question comes from the line of Saurabh Dhole from True Beacon Investment Advisors. Please go ahead.

Saurabh Dhole: Thank you so much for the call and congratulations. I just have one question. I think when you talk about CAPEX, you also included some or other earmarked some funds for acquisitions. So, I just want to know what characteristics do you typically acquire for is it like client relationships or other any specific manufacturing capabilities that you are looking to add to your portfolio?

Pallab Banerjee: Yes. So, like when we talk about acquisition, so we are not talking of acquiring a business so far like that is something like we are not actively looking at. We have the customer relationship, or we have the ability to acquire new customers and that we have proven in the last 3 years repeatedly. So, that is something is not the priority. But yes, like if something very attractive comes in, for example, one of the areas like I always talk about the four supply chain areas of the globe. One of them is the Mediterranean region where we don't have. If I get a good attractive business proposition, we may look into that. But apart from that, like the most common acquisition that we were looking at or we are still looking at is a good facility, a good factory or a good set up, but not as a business but more as asset, more as infrastructure. So, that is how we have been thinking, and we have been working upon.

Saurabh Dhole: Great. And also when you talk about your FY27 aspirations are going to close to 130 million pieces, to what extent are you also factoring inorganic addition to the facilities in this particular capacity addition?

Pallab Banerjee: So, this is the normal strategy that we are talking about 15% growth of our acquiring new customers, growing with our wallet share of the existing customers and in the geographical region that we are. So, any other opportunity comes in that will be addition.

Saurabh Dhole: Yes, that will be an addition. So, thank you so much.

Moderator: Thank you. The next question comes from the line of Pulkit Singhal from Dalmus Capital Investment. Please go ahead.

Pulkit Singhal: Hi. Thank you for the opportunity and congrats on a good set of numbers. First question was on Bangladesh itself, you mentioned that there is a kind of vacuum created for good suppliers in the country. What is your strategy to increase your capacity therefore, because is it going to be more linear or what could be the growth rate in our capacity there to cater to this opportunity? Because I thought this would be created more near term and therefore one would have to act more immediately?

- Pallab Banerjee:** So, thank you for the detailed question. This is like definitely one level deeper. So, as you know that we work on both models in country like Bangladesh where we have our own facility and the partnership facilities. So, in the short term, definitely we are not losing any opportunity. We are capitalizing on the partnership facilities that are available to us. In fact, as this turmoil happened and as this financial liabilities comes out more and more like coming out the cupboard, I would say so naturally a lot of the partners that we work with where we book our capacities, they were more secured with us and overtime as they got to know that this is a better safe haven, a safe player to bet on, so they have been giving us more and more capacities and attractive rates. So, that is something that we could capitalize in the short run. And in the long run, definitely what happens is we take the business like certain European brands who are also in problem, they are more flexible at this point of them. They are partnering, but at the same time, they are taking promises from us that we will build the infrastructure for having this business long term with us. So, that is how it goes hand in hand. So, we get the assurance, we get the business and then we can invest. That is the luxury that we had in this case.
- Pulkit Singhal:** Are their contracts in place that allow you to kind of build factories and do it more linearly over the next 3-4 years, is that something or just a verbal commitment?
- Pallab Banerjee:** From the customers, yes the customer basically, see it is depending on the relationship. Normally, a customer very rarely would give a written contract, but once we are in terms of strategically giving them the benefits or understanding their need and servicing it that commitment starts coming in, not a legal contract, but more of the relationship contract that we continue to get. So, the forecast for the next 3 years is available to us. The kind of programs that will be coming is available to us. Those are the things on which places of which we can take this call much more securely.
- Pulkit Singhal:** Understood. And secondly, on the capacity front, you are talking about 125-130 million in 2 years from a 90 million base that translates to almost a 40% kind of growth over 2 years in terms of capacity 40% plus, is that the kind of growth rate you are expecting for the business as well, so that the utilization remains at the same level?
- Pallab Banerjee:** Yes. The only difference, only point that I will add out here is 2028 is a not end goal. So, 2028 31st of March, we would have a runway with us of a capacity of 135 million. So, that 135 million will be encased on the next few years. Because what we did was we are keeping that assumption, whatever capacity that we have in hand will continue to use about 80%, which is currently what we see is the healthy balance that we are seeing repeatedly. So, we are forecasting on that number basis and also the second part of this capacity is that the majority will be our own and some would be the partnership.
- Pulkit Singhal:** Right, thank you and all the best.
- Moderator:** Thank you. The next question comes from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.

- Bhavya Gandhi:** Thanks for the opportunity. Sir, I just wanted to understand why are we not going all in for partnership model because it is asset light also and it is ROCE accretive also, so just to scale because we see immense demand coming in from a couple of other countries plus from the existing players as well, so just to fast track, why are we not going for a partnership model throughout? Are there any loopholes or maybe a missing out something on partnership front?
- Pallab Banerjee:** Yes. See like partnership, as we have stated earlier also, we would like to keep about 15% approximately and can jump up in the short run maybe 25% as well. That is the kind of opportunistic approach that we want to keep. We are in a business of manufacturing on our own mostly and whatever the partnership also what we are doing, we are completely responsible for those factories, their compliances, their manufacturing. It is just not subcontracting or just not sourcing. So, that is a different business model that other businesses may have, but not us. As a result, the kind of customer base that we are working with, 80% of our customer base also wants to see that complete ownership amongst us. So, both this thing goes hand in hand. So, that is the place, those are the customers they could place the premium or relative premium I would say in the market where we can maintain margins.
- Bhavya Gandhi:** And just one more thing on the European and the Japanese market, you mentioned that it is not seeing any healthy growth on the market per se, overall market. So, what is the USP that we are able to increase our market share because there might be some existing suppliers also in the market who are supplying to them. In fact, the market is not growing and we are increasing the penetration wallet share. So, what is allowing us, any USP or anything on that front?
- Pallab Banerjee:** Yes, I can talk a little bit more about that. See Japan, there are two big companies. I think most of us know about, one is Uniqlo and the other one is Muji. Now, these are the brands which have grown significantly in the international market. So, Japan is their primary market, but they have a significant presence all over Asia and also in the West, both in Europe as well as US. Now, these are the companies that have been growing significantly. Of course, Uniqlo, today is a very large company, more than \$24-\$25 billion they have already gone into the topline and Muji is the other one which is growing very fast. So, these are the kind of customers that if we are talking about, so then naturally, like our growth would be much bigger or faster than the Japan market as a whole how it is growing as only Japan. The second challenge is that it is not easy to service Japan because of their quality norms. Now these are the brands which looks after almost like 0 defect, whereas the Western countries they have a statistical method of taking the quality inspection and doing the quality inspection whereas this country, like Japanese brands and all, so they are completely on 0 defect. So, that is also one of the reason that, despite the treaty that we have from India and Japan, still, India doesn't export too much of garments to Japan, so anyway, like we have focused on that and that is where like a significant growth has come in and this particular brand is we are approaching almost good growth, we will be walking towards at least 50 million over the next one or two years. That is the path that we had chosen. And the UK market also similarly there are brands like Primark or Next and all which are like international brands. They don't sell only in UK, but all over the Europe and Primark has gone into US as well. So, our association with those brands definitely allows us to continue to grow. As they grow and also like as we grow from one or two categories to all the seven categories

that we are supplying to them or more and more categories you want to bring out under the umbrella and more countries. So, that is why, like strategically we are working with this kind of customers who are having international presence. So, if you look at our customer profile, most of the customers you will find have international presence.

Bhavya Gandhi:

Fair enough. Thanks for the elaborate answer. Just one more thing on the Indian operations if you look at our peers, they are not facing any struggle in terms of the EBITDA margin, especially when the demand is shifting from other geographies. So, I just wanted to understand on a broader level, is it because of the product mix that we are struggling or is it something else that we need to do to get the Indian operations right? I understand on the console level things, we are doing better, but India most of the operations you could explain.

Pallab Banerjee:

I will be transferred on that also, see that is more of a legacy, like when we came on board in Pearl and we have been doing the strategy and the growth expansions and everything, India has legacy of doing mainly the blouses, top skirts and blouses kind of segment for Pearl in India. So, that particular one is more of a seasonal business. So, Q3-Q4 becomes very big and Q1-Q2 are slow. So, some Australian customers like Southern Hemisphere customer comes in those seasons, but still its volume is not in comparison to the Western market. So, to do that, as we have said in other calls also we are expanding in other categories in India, building up those kind of manufacturing lines and marketing. Most of the customers that we are working with also knew that Pearl India does only blouse, so as we are acquiring the new customers and newer products so that is one strategy that we have worked upon. And the second strategy that we have worked upon is that our factories were limited to only in the metropolitan cities like Gurgaon, Bangalore and Chennai, so diversifying into other locations like the Tier-2, Tier-3 cities of Muzaffarpur, Bhubaneswar and then buying land in Jetapur near Indore. So, this is the strategy that we are working upon, so that our cost also can be mitigated. Now, when I am talking I can also say that, factories were quite small, so it was definitely the scale was not kicking in India. So, that also now I think some of you have visited some of our factories, now we have skilled it up to 1200 because that is the sweet spot where we find that under one roof, if we have 1000-1200 machines in India that I think is the best. So, these are things like strategically, we have been doing these things, so that is why we are saying that if we need maybe another 3 or 4 quarters to get to that level of double digit EBITDA from this region also. So, we are working on that part.

Bhavya Gandhi:

Great, sir. All the best. Yes, that is it from my end. Thank you so much.

Pallab Banerjee:

Thank you.

Moderator:

Ladies and gentlemen, that brings us to the end of the question-and-answer session. I would now like to hand the conference over to the management for the closing comments.

Sanjay Gandhi:

Thank you very much. In case of any further queries, kindly reach out to us or Strategy Growth Advisor or Investor Relations Advisor. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Pearl Global Industries Limited, that concludes this conference. You may now disconnect your lines.