

PGIL/SE/2023-24/106

Date: March 1, 2024

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BANDRA (E),
MUMBAI - 400 051

Reg: Scrip Code: BSE-532808;

NSE - PGIL

Sub: Transcript of Investor & Analyst Meet 2024

Dear Sir/Madam,

In continuation to our letter dated February 26, 2024, regarding submission of audio recording of Investor & Analyst Meet 2024 held on February 26, 2024, please find enclosed herewith the transcript of the aforesaid Investor & Analyst Meet 2024.

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: 2024.03.01
12:57:13 +05'30'

(Shilpa Budhia)
Company Secretary
ICSI Mem. No. ACS-23564

Encl.: As above

Pearl Global Industries Limited

Corp. Office: Pearl Tower, Plot No. 51, Sector-32, Gurugram – 122001, Haryana (India)

T: +91-124-4651000 | E: info@pearlglobal.com

CIN: L74899DL1989PLC036849

Regd. Office: C-17/1, Paschimi Marg, Vasant Vihar, New Delhi - 110057

www.pearlglobal.com



“Pearl Global Industries Limited
Investor and Analyst Meet 2024”
February 26, 2024



MANAGEMENT: **MR. PALLAB BANERJEE – MANAGING DIRECTOR –
PEARL GLOBAL INDUSTRIES LIMITED
MR. SANJAY GANDHI – GROUP CHIEF FINANCIAL
OFFICER – PEARL GLOBAL INDUSTRIES LIMITED
MR. VIKAS MEHRA – CHIEF EXECUTIVE OFFICER,
BANGLADESH – PEARL GLOBAL INDUSTRIES LIMITED
MR. GURUSANKAR GURUMOORTHY – CHIEF
EXECUTIVE OFFICER, VIETNAM AND HONG KONG --
PEARL GLOBAL INDUSTRIES LIMITED
MR. KARAN THAKKAR -- STRATEGIC GROWTH
ADVISORS**

Karan Thakkar:

Good evening and a very warm welcome to the Investor and Analyst Meet 2024 of Pearl Global Industries Limited. I am Karan Thakkar from Strategic Growth Advisors. Today, we have with us the management represented by Mr. Pallab Banerjee, Managing Director, Mr. Sanjay Gandhi, Group Chief Financial Officer, Mr. Vikas Mehra, CEO, Bangladesh, present virtually with us, Mr. Gurusankar Gurumoorthy, CEO, Vietnam and Hong Kong, present virtually.

I would like to start with a brief about the management present today. Mr. Pallab Banerjee is the Managing Director of Pearl Global Industries Limited. He completed his bachelor's from Delhi University in 1990 and a Diploma Holder in Apparel Marketing and Merchandising from NIFT and he did his financial management from Cornell.

He has been in the apparel industry for three decades out of which 20 years were in gap. In his last assignment before joining Pearl, he was Vice President of Global Sourcing and Managing Director of Gap India Operation. With world-class experience in supply chain strategic solutions, he is able to devise competitive long-term strategies with the unique ability to identify trends that the brands pick on and develop.

Mr. Pallab Banerjee in his discussion today will be giving us a brief overview of the company, the growth drivers and the way forward for the company. Mr. Sanjay Gandhi, he is the Group CFO at Pearl Global and he began his journey with the company in 2019. He graduated from Shriram College of Commerce in 1997 and is a Certified Chartered Accountant from the Institute of Chartered Accountants of India.

He leads and drives the strategic relationships with Pearl Global business partners, financial institutions and investors. He has more than 22 years of experience working with companies like Olam International, Kalyani Group of Companies and Toshiba Group. Mr. Sanjay today will be discussing on the financial position of the company and its trend, risk and governance framework developed and further join Mr. Pallab in discussing the strategic outlook and the way forward of the company.

Mr. Vikas Mehra is the CEO of Bangladesh Operation of Pearl Global. His journey with the company began in October 2021 and he is responsible for handling the overall operations of both Vietnam and of both woven and knits business. His role is to align and integrate processes for a seamless system that can cater to fashion requirements in the US, UK, Europe and Australia.

Mr. Vikas will help us with an overview of the business environment of respective geographies, the macro factors favoring the region and the way forward. Mr. Gurusankar Gurumoorthy heads the Vietnam and Hong Kong unit of Pearl Global. He has varied experience of all aspects of the supply chain from manufacturing, sourcing to retail which gives him unique ability to lead a sustained profitable growth, deliver strategies that offers critical solutions to customers, mentor talent and build a sustainability focused that offers critical solutions to customers and the manufacturing operations known for excellence.

Mr. Gurusankar in today's discussion will help us with an overview of the business environment in Vietnam and Hong Kong, the macro factors favoring the region and the way ahead. I would now request Mr. Pallab Banerjee to address the audience. Thank you and over to you, sir.

Pallab Banerjee:

First of all, thank you so much for taking out time and joining us out here. I hope like over this next 90 minutes or so, we should be walking you through what we are doing and then of course we will answer your questions and any other discussion that we may need to have. So I will start with the journey of Pearl Global.

So we have, the company has been existing for long, since 1987 and has undergone a lot of changes. As on date today, what we do is can be defined by these three things that you are seeing on the left hand side of the slide which is our vision, our mission and the goal that we are trying to achieve. So we want to be one of the leaders in this fashion industry and what we want to bring in is the supply chain solutions to most of these global retailers and definitely how we are going to do it.

That is our mission in which we are talking about the best talent that we will have along with us and then do this journey of how to provide all the supply chain solutions through the technology, through the fashion, what the requirements of each brands are. Those are the things that we are excelling in our, within ourselves and that is something like we are taking to all our customers.

If you see today what we are in terms of our diversified product offering that we have, the multiple locations out of which we are operating, So we do offer today a diversified product, multinational geographies that we are operating out of, very robust design team that we have in terms of our manufacturing. We do have across the world 24 manufacturing units which are operating, strong operations rigor and very sustainable in whatever we are doing.

We are trying to bring some customized solutions to big retailers of the world and that is how we are building up a very strong relationships with them and some of these markeqee clients that you will see are quite strong in their own performance. So, as you know in the meantime I can talk about our industry, so there are, so all over the globe there are some big retailers and big international brands.

Now, we as manufacturer exporter out of Indians that you have already interacted with some of the other companies or our competition, so we cater to those customers and how we do is definitely one is just pure contract manufacturing and the second part that we are trying to bring in is what in addition we can do apart from manufacturing, that means what kind of designs that they should be buying, what is their market, like when they are selling some product into their, in their retail stores, what is the product that they should be actually selling to get a better market share in their own markets.

So, that's one of the value addition that we can as an organization can provide to them, that means the complete design support, product development support, sometimes the supply chain that means how the product has to be delivered to their stores, those are the kind of solutions that is needed as a supply chain solution provider and there are many companies across the globe who are doing it very successfully. Now, in our industry

So, there could be somebody who is just giving them the logistic solution, some people do only the sourcing solution and then there are manufacturing solutions. So, when we talk of Pearl Global, is primarily a manufacturer and we bring in the other solutions as well, that means the

product development, the supply chain in terms of the logistics, couple of other solutions that we can bring on to them.

Here is a brief journey of the last 36 years, we started in 1987, by 2002 our first overseas operation started in Indonesia, by 2004 we had an operation in Bangladesh, these are manufacturing operations, then by 2017 we started Vietnam and 2023 we have also expanded into Guatemala.

So, this is something what we are talking about, a global manufacturing because if you talk of our industry, the four big supply chains that is I would say responsible for 99% of the trading that happens in apparels are based out of four regions. One would be, the biggest would be the Southeast Asia which contains countries like China, Philippines, Indonesia, Vietnam, then there is South Asia which is our India, Bangladesh, Pakistan, Sri Lanka and then we have got the Mediterranean region which would be like Egypt, Turkey, Morocco, Tunisia, those kind of countries.

They produce quite a lot of garments and then the fourth one would be the Central America which would be a Guatemala, Nicaragua, Haiti, all those countries that manufacture garments and supplies to the markets like US which are very near shore to US, the Mediterranean region is near shore to the European market and then of course Asia as it goes bigger, the nation would be always near shore to the Asian market.

And here is the team, like the whole operation or this vision that started with Deepak Seth, who started in 1987, he is semi-retired now, he is our Group Chairman and then we have got Vice Chairman as Pulkit Seth, he is based out of New York as he handed over most of the day-to-day management to us and then we have our team in which Sanjay Gandhi who is in the room with me and then we have got Ratna who is the CHRO. Now Sanjay, as you heard briefly about his background, my background you have heard, Ratna has come from McKinsey and Flipkart and then Guru Shankar is out here, he has also had a lot of experience in the US retail, he was in fact, before joining Gap, he was running a US retail company.

Vikas was in one of the sourcing company called Jones New York and then Pankaj, Sandeep, Rajesh, Paresh, these are the people who have been hardcore in manufacturing entire career of theirs. Matt is one of our colleague in US who is doing the licensee brand. Sebastian has joined us in Guatemala as we started the operation and David, Joe Hills and Jonathan, they are also coming from retail background.

David was in Walmart and Macy's and before that in Gap. Joe Hills have worked 20 plus years in Marks and Spencer, she was the Head Buyer. David was the Creative Director out there and Jonathan is again a Head Buyer in Zara and before that in Mango.

So, we as a team as of now have a good combination of manufacturer and retailer who are the customers that we are working with. This is our board of directors, you have seen them before and of course like we have added three recently and here's the location that we have. The blue dots are the places where we have our manufacturing factories. In India, we have in Gurgaon, Chennai and Bangalore. In Bangladesh, we are in Dhaka. Vietnam, we are in Hanoi.

Indonesia, we are in Semarang. Guatemala City is the other one and the orange boxes are on the map are the places where we have our design, where we do our market intel and where we work very closely with the customers design teams so that we believe in co-creating the product along with our customers. So, that's happening in New York, in London, in Madrid and Barcelona and La Corona in Spain.

We have an office in Hong Kong although like that's becoming more and more less important now and then of course at each location we have a battery of designers who are continuously working on the development of product. Talking about the products, like this is a product that we do out of India. A lot of value additions, a lot of handwork, a lot of you know detailed working that happens in India.

Some flowy dress, lace insertions, lighter fabrics, double gauze kind of fabrics which are very typical to India that definitely we do out of India manufacturing but India manufacturing does need a lot of automation and modernization at this point of time for when we service customers at a higher end or especially like the Japan market, they are very particular about the quality which has to be absolute zero defect.

In terms of Dhaka manufacturing, as soon as you go out of India, India has been known in the market for a lot of fashion products but if you go to other countries like Dhaka and Vietnam and all they still have the majority of the core basic items that means something always is there in your cupboard.

So that's something we make out of Bangladesh. As you can see a lot of polos, a lot of hoodies, a lot of fleece, track pants, track bottoms, track tops. We do a lot of some women's product in Bangladesh as well but these are comparatively much basic compared to what you saw in India but Bangladesh also is known for denim.

So we do huge amount of denim production out there and this is something like you can see brands which are mentioned out here that we do Bershka is an Inditex brand, Zara the younger version of younger generation of customers they cater to and then we do a lot of sleepwear as a product. We do a lot of you know active sport look kind of product and then children's. Now as you can see like when I'm showing the product these are different categories of product, different category of items which are there.

So as an organization we do cater to six different category of product that we're supplying to our customers. This is Vietnam. In Vietnam we do a lot of outerwear, a lot of technical outerwear, a lot of athletic garments and then a lot of this high-end which is very technical where you do heat quilting or seam sealing, flat lock.

So those are the kind of items that we produce out of Vietnam. In Indonesia we cater to the upmarket brands specifically like which are normally detailed maybe around \$100 plus, \$100 to \$400. So if you can see the Talbert, Midwell, Vineyard Vines that kind of brand we do out of Indonesia and also apart from technical outerwear we do a lot of these dresses, blouses which are like on synthetic fabrics where needlework is to be much higher compared to the normal quality standard that's there in the industry.

In terms of Guatemala which we recently started in 2023, this is the near shore to the US with all these problems of inventory and delay in the logistics and all. The US customers nowadays prefer to buy a certain percentage, anywhere between 5% to 10% of their inventory they are sourcing from the near shore markets. So Guatemala is an important market for us out there and we are developing it in terms of basic knits as of now, the jersey fabrics that means the polos, the hoodies and some of the other knitted bottoms that you are seeing in this picture.

And Pearl like you know we always have both a combination of 100% owned factories as well as partnership factories where we do and this is because of the mature markets that we are dealing with, countries like Vietnam and Bangladesh. That's the way like you have a lot of these ecosystem has been built up in such a manner that I can produce out of my factories as well as some of my partner factories, very professionally run. So we do have about 16% of our sourcing happens from these partnership factories.

84% of our production as of date is through our own factories. In terms of clientele, this is the brands that we are at this point of time our large key customers. On the upper half you can see the specialty brands, these are like well-known brands in the Western markets and at the bottom are the department stores and the large format, large box, what you call big box stores and some groceries also who deal with a lot of apparel.

Only exception that I put is Muji. Muji because we handle very carefully. We deal with them like also a specialty brand. That's being Japan which takes absolutely zero defects. So that's how like the customer base is as of now and mind you one thing like you know the bottom two rows that you are seeing of the customers, each one of them would be having, these are like large format stores which would have their private brands. That means Kohl's for example would have about seven brands on their own.

So we cater to all those seven brands. So if you talk of brand there will be many more but because we work through these large big names so we don't, separately showing you the brand names out there. Going back and over these last couple of years, like last five years, what happened in Pearl is that I joined in 2018-19 and after that we bring in, we brought in a lot of other professionals from various part of the industry and we built up a strategy in which our goal is to go definitely much bigger and be one of those major global player of this sector.

And in the last five years the kind of customers that we have brought in, normally in our industry the entry barrier is very high. Normally a customer won't just, if you today, if I have to open up a company and open up the best of the factories, customers won't just walk in just like that. Just by looking at a facility and all.

So there are certain things which takes a lot of time and that's where the way to grow is either to build up the strategic relationship over a long period of time with these customers or you do acquisitions where somebody else is maybe having couple of brands which I don't have and I acquire them and then we can grow. So in our case like you know if you do the organic growth then the kind of customers that we have brought in in this last five years, you can see that that already has about 42% of our total pie that we have today and it has grown significantly. The CAGR you are seeing is almost about 60%.

That has happened. So I will take a pause at this point of time and give it to Vikas. Vikas is online technically? So Vikas heads our Bangladesh operation. He will give you a brief about our operations in Bangladesh and what is the competitiveness in Bangladesh for all of you. I could take the questions much later but let's hear to him.

Vikas Mehra:

Yeah good evening everyone. I am not sure if you can see me and if you can hear me clearly. Okay great. So let me start with a brief introduction of myself. I head the Pearl Bangladesh Global Operations as the designated CEO. Before joining Pearl around four years back, I had the pleasure of learning and holding key positions in the apparel industry on both sides, the manufacturing as well as the buying side based in South Asia, Middle East, North Africa, Southeast Asia. So that gave me a very good bandwidth to understand and to see how the industry has evolved in various reasons.

Coming to a few specifics with regards to Bangladesh as a country and Pearl's role in Bangladesh, I will just pass you through some facts and figures. I hope everybody can see the presentation clearly. Okay so Bangladesh today is a country of 174 million people across 147,000 plus square kilometers of land.

The GDP today sits at about \$1.13 trillion and in terms of the apparel industry, it contributes about 60% of the total industrial development this country has, employing about 4.5 million people countrywide. Major share of that happens to be women and as per official figures, the country is today the largest, second largest exporter of apparel to the world after China. In specific figures, the slide at the right shows on the bottom financial year figures.

You can see the significant contribution the garment sector has been making to the country's ready-made garment sector exports. We are ending the financial year 2022-23 country figures at \$56 billion, where garments is contributing to about 47 billion, which is 82% of the total exports of Bangladesh. There is a lot of extensive investments going on, both in manpower training, hardware, software, collaborations, which is setting this country on course to do a targeted ready-made garment export turnover of 100 billion by 2030.

Financial year 23 sector-wise exports, a very interesting analogy where the RMG sector was the only sector, which despite of all the headwinds across the world and also in South Asia, as well as in Bangladesh, exceeded the targeted figures, which are shown in the slide here. As you can also see, the exports, as I mentioned earlier, in the RMG sector play a significant role on the total export of the country. The other sectors did struggle, which were primarily because of the international trade situation.

Product-wise, casual trousers, t-shirts and knitted shirts, denims, and sweaters form to be the four leading categories of RMG export out of Bangladesh. I am happy to share with the forum that Pearl Bangladesh today manufactures and proudly exports the three top categories, which is trousers, t-shirts and knitted shirts, and denim and other categories in the denim segment. A few important figures in terms of competing countries, China, of course, we all know has been a significant contributor, but with a trend change, we see Bangladesh and Vietnam catching up.

My colleague Guru from Hanoi will give you facts about the country and about our operation there. A few more facts about the export earnings in goods for Bangladesh. And at the bottom, I'm showing you the five top buying countries from Bangladesh for the period of July to October.

The US happens to be the biggest customer, but you can see that over this period, there was a drop. Germany happens to be number two. Also, there was a drop because of headwinds in their own economy. UK happens to be number three. It grew year on year. Spain, number four, also grew year on year.

And France also grew year on year. Pearl Bangladesh ships clothing to all these countries, USA, Germany, UK, Spain, and France. A few specifics in regard to this SWOT analysis related to the RMG sector in Bangladesh.

We see the strengths of this country being the competitive cost of labor compared to competing countries. We also see the industry experience over the last couple of decades, making a big difference in terms of technology and automation being brought in. Strong trade agreements, wherein the country was on an LDC status, a least developed country status, and it still is as the last leg, which allows it to gain subsidy on exports to EU and UK.

There are duty-free benefits for export to Canada. And there are strong bilateral, including duty-free agreements to ASEAN countries, which this country benefits from. The industry growing trend in particular has been a significant contributor. And this is what makes Bangladesh different from many other countries. The steady growth of the industry in this country has empowered it with technological advancement and a lot of logistics advancements, which helps in a time-bound trade.

Adaptability and versatility. This country today manufactures and exports all kinds of clothing and sweaters. And very soon, we see an evolution taking us towards man-made fiber clothing also, which is all related to the industrial experience and the training of the workforce here. Again, another strength is the middle-aged population, which is extensively adding employment opportunities.

It's a win-win model where investments being brought in are putting up good facilities in the country. And the young population of this country not only incorporates the working class but is also forming the middle management and the senior management in the ready-made garment sector here.

Investments, as I mentioned already, significantly growing year-on-year. A very progressive model. At the same time, like any other South Asian country in a progressive economy, this country is not immune to weaknesses or threats. Weaknesses we see on ground that the environmental monitoring policies still have a long way to go. But the good news is that there is a lot of step-up, both at the state level and at the investors level.

Pearl, very consciously from the inception stage in this country, has been investing and making sure that we manufacture clothing in a sustainable fashion. And it meets all parameters of product safety and industrial and environmental safety. And as I speak, we are continuing to put in more investments on this front.

The second weakness that we perceive today as a manufacturer in this country is a high dependence in terms of raw material import. We do have India as a stalwart and a strong neighbor which does provide good support, which facilitates our manufacturing strength with the strong in-region raw material sourcing capability the group has.

Opportunities in this country are immense, taking the strengths into account which I just spoke of. Diversification, we are on the threshold of adding new product and new technology, which is also helping us to become a bigger player in the speed to market, which is a very, very important constituent in today's industry.

Technological integration, a learning curve for all growing economies and manufacturing countries in the world. As we see a major increase in manufacturing costs with energy and basic minimum wages going up, it becomes even more relevant for us as a manufacturer to adopt advanced technologies and enhance our efficiencies and productivity with the best in class equipment and manpower training.

We also see an opportunity in e-commerce growth, where within the ASEAN region or in overseas markets, we are in a position today to label the merchandise that we export with virtually zero handling at the destination, which can be sent out on the e-commerce distribution platforms. We are aware, I mean, I'm sure all of you are buying online in India and you can see in the last few years how this sales platform has grown.

The apparel industry and us in Bangladesh are also in tune with this and we are matching the requirements of the consumer and the brands. Sustainability, for us at Bangladesh, the Pearl Global Industry Team believes in a very simple world called habit. Every day when we start our operation, the sustainability measures and initiatives that we take are a habit in our operation. That's the only way we continue to raise the bar and improve our sustainability scores and win business over our competitors.

Global market expansion, as Pallab briefly touched, showing you the mapping of our consumers, Bangladesh is also trending up to adding new countries, new product and new regions under its horizon and Pearl has been shipping to Australia, Europe, UK, Canada, North America, as well as South America and very soon we will be opening up the Japanese market also.

ASEAN trade is perceived as a big opportunity because of the lead times and because of the consumption in the ASEAN countries. We are in strategic discussions with various Indian brands and we see our business growing with them in the coming years. Threats, as I briefly also touched earlier, on a micro level.

On a macro level, we see the global economic uncertainty definitely being something that we have to all look out for. Pearl Global Bangladesh is no different. We monitor these parameters very closely. Intense competition, this in our industry particularly and in Bangladesh, I would say is even more fierce because of the sheer volume and the sheer market share the industry holds.

Supply chain disruptions, we've all gone through the nightmare of COVID where the virtual supply chains across the globe failed. We do see often on situations where there could be either

shipping line loops breaking up like of the current situation which is going on with the shipping routes around Africa. But as these situations arise, the countries that are involved and the trade monitoring agencies are taking necessary corrective measures.

We are in regular contact with the key decision-makers and we do provide a strong solution to all our brands by readjusting the lead times, by speeding up the deliveries to them and by holding higher level of inventories to make sure there is no disruption in flow of inventory to them.

Labor issues, again, this is nothing new to the region or to the world. It is something which is related to an inbuilt vice in the manufacturing industry. But I must happily and proudly announce that Pearl Bangladesh today maintains an average turnaround percentage of less than 4%. Our average absenteeism across all our factories range in the range of 2% to 3%, 3.5% maximum, which are indicators of the mindset that we have been able to create amongst our team, where everybody comes in to work with a sense of pride and belonging.

We do see a threat in terms of the migration of Bangladesh as a country, graduating from an LDC status to a developed country status. However, because of the importance of this agreement, the country has already negotiated Phase 1 where the status and the related benefits have been extended till 2026. And the country on the state level and association level is already in key discussions with WTO and other members to take this agreement further.

Mid-term outlook, if we look at what Bangladesh is heading for, as I briefly mentioned, we are looking to evolve towards the man-made fiber product in addition to the growth of the cotton-based apparel product. There is a very strong outlook coming in as a combination of this as well as a strategic flow of investments coming from a lot of manufacturers and brands looking at Bangladesh and other regions of South Asia and Southeast Asia to digress their dependence on China. I am sure all of you have been following the media and this does reflect as a very frequent news across all the sectors.

What does this mean operating for us as a country? As we evolve to man-made fiber, we see the unit prices getting slightly higher, which gives us more room to try and build up our margins. And this also opens up non-traditional markets to consolidate and strengthen our market share further.

In the long-term outlook, we have seen that there have been unprecedented growing figures in the current year and the past years. We think with the infrastructure growth and with the performance this country has shown, these figures will look better and stronger. In terms of the sustainability and trade agreements as well as the global supply chain strength the country has, the benefits will continue.

A least developed country, as I said, this is just a few details in terms of what is currently happening. It can be shared on a need basis and it will be figuring in the news. Coming specifically to our operation in this country, we started with our flagship factory called Norp Knit Industries Unit-1 in 2004, which today manufactures close to 575,000 pieces of clothing every month.

We added the second unit in 2010, which is almost a little more than double the capacity of the first unit. In 2014, we added the dry and wet process. In the interim period, 2010, parallelly to expanding our in-house manufacturing, as Pallab said, because of the fashion and supply chain models that our business partners and brands need, we had to create an outsourcing model, which gives complete solutions to the brands in terms of product co-creation, in terms of multiple styles and washes being shipped to them at the same delivery window.

We enhanced our investments in design to evolve from a pure manufacturer to a one-stop shop in apparel to all our brands, giving them complete solutions, which has helped us to take complete responsibilities and grow our business. Prudent Fashion was the third owned manufacturing facility set up in 2019, which today manufactures a little more than 700,000 pieces of clothing, including automation and woven bottoms, which was started in the third quarter of last year. Alpha Clothing has been our latest addition, with a capacity of a little more than 0.5 million pieces a month and growing.

Certifications are complete manufacturing, be it raw material, be it labor practices, be it our processes, are certified with world-renowned agencies, and they are labelled for us to be able to give strength and value for money to the brands and the consumer. So, this was a little bit from my side in terms of Bangladesh, and we look forward to growing and being a more significant player. In summary, Pearl Global Bangladesh is today ready, as part of the Pearl Global Group, to take it to the next level.

Thank you. Pallab, I'll pass it back to you.

Pallab Banerjee:

Yes. And now we'll have Mr. Gurusankar from Hanoi, Vietnam. He is the operation of Vietnam and Hong Kong, and also now overseeing the operations that we have started in Guatemala. So, over to Guru.

Gurusankar Gurumoorthy: Hi, good evening. Very nice to meet you all, albeit virtually. We do hope to welcome you all in person at some point of time to Vietnam or near-shore production. I'm Guru. I'm the CEO of Vietnam, Hong Kong for Pearl, and I'm also the Board's representative to oversee near-shore production. Again, a very good evening to you all, and a warm welcome to the meet, and thanks for letting us share the ideas.

Vietnam is a fairly new kid on the block, as is Guatemala. Vietnam, in particular, Pearl got into this market in 2017. So, whatever we do, there is a reason behind it, which is, of course, the value to the shareholders and the stakeholders. So, as you can see from my screen here, just to place things in perspective, the top 10 garment exporters in 2022 and 2023, we have unofficial figures, but it's broadly the same. We have not published it. The governments have not published it.

It's going to be published in the first, second week of April, but this will sort of follow the trend in general. China is the biggest, followed by EU as a garment production place, which is surprising, right? It's 146 billion. Vietnam, as we'll see, and next to Bangladesh was about \$30 billion. Again, to place things in perspective, Vietnam's population is only 98 million people. So, it is a manufacturing powerhouse in terms of the country in itself.

There is a lot of electronics manufacturing here, computer parts. Samsung runs factories, which are like 50,000, 100,000 people. There's a big apparel business here, has been in existence for a long time. It's a very strong player in the apparel field. And the numbers sort of tell you all compared to the population.

Now, if you look at the same thing in terms of if you sort of make the entire market of apparel, and see who commands what in terms of percentages, Vietnam is about 6% of the total garment business in the world. China is about 30%. EU is about 26%. Bangladesh, as you heard from my colleague Vikas is about 10%. India is 3%. And so there is a very compelling reason as to why we should be in these markets in order to capitalize.

Now, how does Vietnam in itself look? 2023, Vietnam is expected to be at about \$40 billion of exports. This figure is not small. There is a lot of talk and conversation about many countries trying to get to this \$40 billion, \$20 billion, \$30 billion. But the number in itself is huge. And as I again have to go back to remind the population base is smaller in spite of that this is the figure.

Pallab Banerjee: Guru, can you hear me?

Gurusankar Gurumoorthy: Yeah, I can hear you.

Pallab Banerjee: Can I just make it full screen?

Gurusankar Gurumoorthy: Expand it to full screen.

Pallab Banerjee: Thank you.

Gurusankar Gurumoorthy: You see it better? Okay, all right. Got it. Okay. So what does Vietnam do? In order to achieve this \$40 billion, they should be doing something, right? If you analyze the components of the garments, which is being made here, it is a high value item, the skill level is very high in this country, as is the productivity levels. And as is the discipline behind the manufacturing workforce, which is extremely key to achieve certain levels of output, even given the cost.

Jackets is sort of outerwear. When I'm talking about outerwear, of course, simple jackets come to our mind. I'm talking about extremely complicated outerwear, which has got different types of fillings, which go into, which protect you when you climb the mountains, which will protect you from the wind, which will protect you from rain, which will protect you from all sorts of weather parameters apart from giving you style and comfort. And on top of it to be retailed at an extremely high price. So the outerwear, the pants and you know value-added garments are significant to be produced in Vietnam.

What does the market look like as to where Vietnam ships? Vietnam, of course, ships 37% to the United States. At the moment, EU is about 10%. But it's significantly expected to grow higher because of the free trade agreement that Vietnam is stuck with ASEAN in itself, because it's in the center of this whole Southeast Asia growth is about 5%, which basically means that even international brands produce and ship within ASEAN countries. And Japan is, of course, a significant market as is Korea.

Now, how does the competitiveness of Vietnam look here? And this is from a World Trade Organization importer survey, it sort of ranks across various countries, the various parameters. Vietnam ranks pretty high for quality, for value-added products, it sort of competes head to head with China. And it has also benefited immensely from this China Plus One kind of strategy, which most customers have.

And with our reading of the situation, even the outlook of the markets, the customer markets towards manufacturing countries, this benefit will continue to happen. And Pearl is in the northern part of Vietnam, which is basically Hanoi, which is also closer to China, which basically means that a significant reduction in terms of lead time for shipping raw materials from China into Vietnam. So, if you look at all these parameters, it's very favorably placed.

The market in spite of, I mean, Pearl and Vietnam have of course grown in spite of COVID, we grew, because we did have a change in management strategy. As you heard from Pallab, a lot of us joined the group and we have different strategies come into play. As far as my background is concerned, I started my career with leading Japanese and Italian manufacturers. Then I went into manufacturing in Southeast Asia before I handled sourcing from Southeast Asia, South Asia and Middle East for a major North American company after which I ran a retail chain in the United States.

So, it's kind of a 360 degree experience, which we can bring to the table, both from a buyer's perspective, both from what they are looking for from a manufacturing point of view, and the skill associated with being able to deliver great value to our customers. This has sort of given us the strength and the firepower and horsepower to deliver sustained profitable growth in an albeit in a conservative manner, where we watch a lot of things that we do very well, and which has given us a strong position with better than best in class brands.

And when I mentioned that I do talk about brands like Polo Ralph Lauren, Tommy Hilfiger, Calvin Klein and the likes of those brands, which are better than best in class. And in order to be able to service them and Pearl is a strategic vendor to all of them within a short period of time, we are what they call a Tier 1 vendor or a strategic vendor or a growth vendor, whatever is irrespective of the jargon that is being used, we are a key strategic partner. That is what it means.

In order to be key strategic partner, we got to be able to deliver that kind of value in terms of service, in terms of manufacturing quality, in terms of value addition, in terms of our ability to partner with them as they craft their strategies navigating the market, which of course, they are quite strong at. So, we do see even coming out of sort of a slower pace to growth, but we still grew as I said, we still see a strong sign of recovery for the market in general, which is always good.

Free trade agreements, Vietnam is extremely aggressive as a country, as they have a free trade agreement already with the EU, which is sort of aiding still the macro factors like, you know, ships from Myanmar, ships from China, so on and so forth. Now, one of the challenges that we have, of course, no country is a perfect, perfect place, it is not a utopia, so as to speak, right. There is inflation in the key markets. Interest rates continue to be high in the key markets.

And the cost of manufacturing, because the skill level of the labor is also pretty high, which basically means that the focusing on productivity and related aspects is significant. And of course, we are invested and are continuously investing in innovation, digitization, modernization. And as I keep telling, and our passionate team here believes that our competition in Vietnam is not a fellow manufacturer, but maybe something from electronics, maybe something from all over the world.

And some of the solutions that we offer to the customers have come from out of the industry, the best practices. So, it is not a very traditional old way, back trade way of working, it is an industrialized way of approaching manufacturing. At the same time, tailor made to offer significant solutions to the customer, which of course, they love.

So, of course, the government continues to favor this industry, which is good. And inflation interest rates within Vietnam are sort of decreasing. And exchange rates and political climate in general are pretty stable. And it is a very sort of a disciplined market overall to operate with, right? And what is the way ahead for us? We do try to keep very complex things very simple. We understand the complexities of the business.

And the more we understand the complexities, the more we try to look for simplified solutions, cutting through all the refresh associated with it. Our goal is very simple to deliver value. And that is all there is to it. And we are focused on our competitiveness, we are focused on consolidating our propositions with our customers, which we have been successful and we hope to be at it on the ball all the time in order to be able to do it. And, of course, we have a diversified source.

All the products that you saw are being done in Vietnam, Pearl Vietnam does. All the markets that you saw is Vietnam market is also Pearl Vietnam's markets. And out of those markets and out of those products, we do skim the cream, so as to speak, right, we play in the upper end of the game. We are not a run of the mill kind of supplier.

We do believe in technology as a group, and particularly so here in terms of extremely high value-added garments. And that is pretty much it from my side. And as I said, it is an absolute pleasure to have seen you all virtually. And I do hope at some point of time, we'll have the opportunity of welcoming you all in person to share and partake in the journey that we have. Thank you very much.

Pallab Banerjee:

Thank you, Guru. Thank you, Vikas. Thank you, Pallab. We'll sign off.

Pallab Banerjee:

So I think, I hope that was useful. And I think I would give you some good insights about both these countries. As you know, today, if after China, who lost from \$182 billion that they were doing around 2017-18, that was their exports of garment apparels to the world market, it has dropped down to about 153 now. So that 30 billion, most of it has gone into these two countries, which is Bangladesh and Vietnam.

So now coming back to our Pearl, what's happening is, as we have seen the operations across the globe, we have also modernized our factory in this last couple of years, in which all our factories are now completely digitized. Every garment that we manufacture have got this QR

code. If you see, like this particular QR code is attached to every individual garment. And this is a unique code.

Even if one particular style I'm making for 10,000 pieces or 20,000 pieces, each of those garments would have a separate different QR code. And this actually tracks complete information from where the fabric is coming, how it has been made, from which cotton, which location.

And then after that, as it goes into our factory at various levels, various stages, it is getting scanned and all the information is kept. That means which individual has touched, which individual is making that garment. So it's basically one of our readiness for 100% traceability of the garment, 100% inventory control, and 100% quality control.

That means also like if one person has seen the garment and has moved on to the next, and if he has missed one particular thing of quality, let's say, that feedback can be given back to that individual. So that's the kind of readiness today we have in our factories. And some of the U.S. retailers, especially the U.S. government, is very particular about the traceability.

Where the cotton has come from, there should not be any wiggle, there should not be any cotton from any other place where the garment has been made with the forced labor. So they want this traceability. So that means for every stage, we keep this information through our SAP system. And through that QR code on that garment, as soon as we scan it, we get complete information of the history of that garment.

Another initiative, as Vikas had briefly mentioned, that definitely we had spent about a huge sum of money this year to reduce the water intake for all kinds of washes of denim. Now we are making denim almost practically without any water. 85% of water reduction has happened. We are not using any kind of hazardous chemical anymore.

Every garment, as it is getting designed, is getting an EIM score, which is basically the environment impact score. And that's always in the green region. So this is some of the, technically, we are getting that response from a customer very well, because this is something which not many companies has at this point of time globally.

Other industry updates, if I have to give you, this market, this particular year, 2023, was not a very healthy year for the US imports or anywhere. If you talk about the import in the various regions, USA as a market has been quite flat. In fact, it had grown a little bit, the sales, the retail sales.

But they had imported almost 15% less compared to the earlier year. That's because they had a huge inventory that was lying with them. And that created a lot of situation with all the manufacturers across the globe, that they were buying almost 15% to 20% less in terms of the order.

I think that particular period has just ended. They had inventory till the sales of December month of last year. So I think this year, all the goods that you are seeing in the store, and going forward,

there would be fresh inventory that they are placing. That means the orders would be coming in better compared to last year.

If you talk of Europe, Europe, there was no inventory situation. But as a general, they have been conservative because of the war that is going on. First the Ukraine war and now definitely the other problem that has started in the Middle East. So they have been conservative. They bought almost 20% lower in the last month.

But overall in a year, they have bought about 13% less inventory. UK, again, we all heard that going into the decision at this point of time, like Germany. And there we are seeing they have been buying almost 17% less imports that has happened in the last year in the UK market.

Compared to that, Japan has been better. Japan has been conservative. After pandemic, they have been keeping a very low profile. So this particular year of 2023, we saw that they bought about 4% less than 2022. And this is something like as a company like we were very much aware when this US thing was happening.

So our strategy for the 2023 has been to diversify to this other market. Because we knew that US won't be buying. Our retailers, who we are supplying, all of them had already projected to us that they would be buying less. So we, for our own strategy to maintain this growth that we had promised to all of you, we have been diversifying into these other markets.

Here is a snapshot of how these markets are and what kind of market share each of the country has. If you look at it, like USA, for example, which buys about \$78 or \$79 billion, bought last year \$99 billion. This year it was \$78 billion. So going forward, the year of 2024, we can expect at least about \$90 billion plus.

Even if they are going about, let's say, minus 1%, minus 2%, most probably they will be feeling conservative in terms of sales. This is an election year. I hope no other further complication comes in the US market. So in that case, they should be buying about \$90 billion plus this particular year. And that would be a significant jump from what they bought last year.

Europe has been more or less consistent. If you can see, they are in the 1998, and then when they became conservative, it was 86.1. That is not because of the inventory, but because of the war conservatism that they have been having. UK is a different thing altogether. They were definitely shrinking in terms of the decision they were preparing for.

And then Japan, you are seeing again, is more or less consistent, 24, 23. In that range, they would be. And if you now look at the supplying country, like India has got almost 5% share in all the three countries like US, Europe, and UK. And compared to that, if you go to Bangladesh or Vietnam, especially for US market, you can see Bangladesh is double than India.

In fact, more than double. And Vietnam is more than triple. And these are the two countries which has benefited from China as it decreased the market share. And same for European Union, like Vietnam's position has been taken over by Bangladesh because of the duty-free or the GSP status that they have.

And same for UK. UK and Europe, definitely it is Bangladesh which gets the preference. Japan as a market have been very heavily invested in China. They used to source almost about, I think, 60% plus, 65%, 70% of the goods where it used to come from China. And in this last four or five years, they have been very steadily and very steeply losing that market share. China has been losing that market share.

Now, that has been, so far has gone to Vietnam in a major way. And this is where I think, I personally feel that India should play a very important role. And India already has an FTA. But the difficulty of Japanese market is that they don't take any kind of quality issues. So, that means, like for example, European market or any Western market, we call it something called AQL. That's a statistical error how much it can go.

But for Japan, Japanese, they go for absolute zero. Zero means zero. There is no defect. Or in the number terms, it is 180 defects for million. So, per million, 180 defects allowed. That's how some of the retailers talk about that. So, that I think, as in India, we need to get ready. And we are definitely investing in that market.

Here is a snapshot of who we do compare ourselves with. Now, these are some of the big companies or manufacturers in the globe. Most of them are from China, Taiwan and Korea. And these are listed companies. You can see that the biggest one is a Chinese company which has got a turnover of \$3.9 billion as of now. They do make their fabric as well as garments. Then there is another Chinese peer that we have compared ourselves with which is \$2.5 billion at this point of time. And they are purely manufacturer.

Another Taiwanese, which is again, has invested in both mills as well as factories. They are at about 1.3 billion. Second Taiwanese company is about a \$1 billion. This one is almost exactly same as our footprint. That means they have also gone into all the three supply chains that where we are. And garments also, the product that they supply is also very similar to us.

And then we have this South Korean vendor, which is about \$1.7 billion. So, if you see, like the one thing common, most of these manufacturing locations, they're not limited to one country. They're always across various countries. And that's how they provide that flexibility to the customers of the product and how they deliver it.

So, as Pearl, we do have this multinational presence and we will continue to grow that. We think that our growth will be happening in all these regions where we are present as of now. And as I mentioned earlier, let me remind you once again, that 99% of the apparel manufacturing and trading happens from these four different supply chains. And that's where we have to be. And today we are in three of those four supply chains.

Design part, like how we are co-creating that product. That means the person who is going to sell it, what is their need, how much I understand that and how I design and develop those products for them. So, continuous improvement on that. Yes, definitely all these 3D software's and other technical upgrades have been there. And now latest, of course, all of us are investing into artificial intelligence to forecast. So, the computer also tells us what are the things to be made and how it has to be made.

Definitely, we continue to progress on the asset light model. And because of our presence in some of these locations, which allows us to do it more, so we continue to do that. And what we believe in, this is the most important part, is to have a strategic customer relationship. That means, if we are important to them, then they are important to us. So, talking about next four years, five years, what is to be done together is very important.

So, we would continue to acquire some more customers. We do spend a lot of time, energy and strategy on this. We will continue to have geographical expansion. We will continue to automate our facilities and our processes. We will be using the optimum way our capacities that we have built up and are building up. And there will be some partnership facilities also, which we will be continuing to grow with In India specifically, the PLI and other government initiatives that we are seeing off late in the last couple of years, that's very encouraging. And that will give a growth engine to India also. We strongly believe that.

Now, for the list next few slides, I will hand over to Sanjay, who can walk you through the key financial highlights. And then I will walk you through about the future.

Sanjay Gandhi:

Thank you, Pallab. Good evening, all the shareholders, stakeholders. I'm very happy to share all the efforts which have been done in the last two, three years have yielded improved financial performance, which I'll be taking next 10, 15 minutes to explain how it has improved what all actions have directly yielded this performance.

First, on the revenue side, as you can see from FY'21, the revenue has almost doubled. And when we started this journey of looking at bringing a transformation within Perl Group, we were looking at 8% to 10% growth. But we said we will achieve 12% to 14% growth in the coming three years. And within three years, the turnover has doubled. We are looking at INR3,000 crores plus turnover in FY'23. And going forward, this year also, we'll be doing more than what we did last year.

In terms of EBITDA, from a 4%, we have almost reached 9%. And our journey is going towards a double-digit EBITDA. We said we will make an improvement. There is an operating leverage which has helped in terms of the improvement. There is a product mix, customer mix. All those strategies which are really implemented across vertical, across geographies, have really helped in terms of overall EBITDA improvement.

PBT, as we can see, we were barely making profit, loss in FY'21. I don't want to see the loss number. So we are at INR162 crores. I think we'll do better than this year. And PAT is also at INR120 crores for nine-month performance compared to INR153 in FY'23. In FY'23, INR153 include INR13 crores of non-exceptional gain item which was there. So if you look at operational profit for the full year was INR140 crores for FY'23. Against that, operational profit for nine-month is INR120 crores. So that also shows a significant improvement. Given that we have a quarter four, we are quite confident of exceeding that operational profit number this year.

In terms of the working capital, there have been three factor we really deep areas where we focus specifically. On the inventory days, it has come down from 70, 65, 60 days to 30 days time period. And one of the reason which has really, one of the important action which we took

towards the digitization which was narrated in the previous slide, which help us in identifying the turnaround time from raw material to WIP, WIP to finished goods.

And basis that lot of improvement action have been implemented in across geographies, India, Vietnam, Bangladesh. And that really helped in unlocking the working capital which has resulted in a better performance in terms of lower debt services and also in the lower working capital risk. And inventory risk is also reduced significantly.

On the debtor side receivables -- 95% of our receivables are completely secured financing. We do go for factoring arrangements. There are three ways to resort to the factoring arrangements. One is to make a direct contact with the factoring company which is based in US, Singapore, Hong Kong. You take an insurance coverage in India, ECGC, and then you go for a post-shipment financing in India. Or you go for receivable financing arrangement with international bank like HSBC or Hang Seng Bank with whom we have a relationship at a Hong Kong level.

Or there is a third method which is a supply chain financing run by the buyer. We have opted the best in terms of wherever we see the cost optimization is possible, we opt for that, at the same time ensuring that we get our money well on time. That has really helped in optimizing our receivables. So it is liquidity management and the risk mitigation strategy, both of them really played very well for us. Creditors are 45 to 50 days, that is based on the LC which is being issued to the creditors and the credit terms which have been negotiated with them.

So all this put together has yielded an excellent result in terms of bringing the working capital days down. H1 FY'24 looks 13 days, but we believe that on a normal business scenario, we should be around 30 days' time working capital.

Analyst:

That's why, can you -- coming back what has brought to write inventory days going down significantly?

Sanjay Gandhi:

As I mentioned, the turnaround time of each process has been brought down. So there were inefficiencies. So it is all linked to each other. As we said, there were inefficiencies existing in some of the operations which were really leading to the working capital pile-up and also other costs which were going up.

So by the digitization which has happened across the group, we could trace very clearly which time, which process, which line yield to take more number of days for conversion from WIP to FG. And then all the actions were taken around that. And over a period of time, it has become a habit whereby we see that it has become a consistent delivery of 30-35 days time period.

Analyst:

Sorry. This will be sustainable, right?

Sanjay Gandhi:

So this is sustainable. This has been achieved after a long period of digitization and the consistent practice. And there is a very rigorous process of monitoring that which has been in place in the company for now almost eight-nine quarters. So definitely, it is sustainable. Secondly, on the fabric side, the order is placed specific to the style only. There is no fabric inventory we build in the system.

Analyst: Yeah. So why did you said that 13 net working capital has to go back in 13?

Sanjay Gandhi: So this 13, when you say that the working capital is always in relation to the sales, this is a September end. September end, our inventory level was low. So normal inventory level will go high and that will result in the higher number of days. That's the reason.

Analyst: Thank you.

Sanjay Gandhi: The action improvement in the financial performance and the liquidity has led to much improved debt position and the debt service coverage ratio, both in the numerator as well as the denominator. So we can see the debt service our ratio is 2.5. And with the debt level in control and improvement in the EBITDA level, we foresee that it should continue to maintain and improve from here on as well.

Interest coverage ratio, again, a function of how much EBITDA improvement is there, how you control your debt, how efficiently working capital is done, how efficiently your capital allocation policy is there. All that combination of that, with the discipline what we have tried to bring in and brought in to some extent, and we will continue to do that, will definitely help us in keeping both this financial ratio in check, which are very key for us to improvement in the credit rating also, which lead to the lower interest cost. So it's a virtual cycle which has to be really sustained.

Net debt at the gross rate level is there. We are looking at a 374. So 374 is lower. Largely, the working capital level has come down, which I mentioned that inventory level was low on September end, and that's the reason it is on the lower side. So gross debt and net debt always remain in control, very much in that position.

The cash flow operation is a direct result of the improved profitability and improved working capital position, which has released a lot of cash and which has helped in terms of improving the free cash flow position. And the cash and cash bank balance has been on the higher side. Just wanted to mention always, we have declared that INR341 crores include, there are INR75 crores which is earmarked for the LC payment. So normally we don't include that in our calculation and add it back to the working capital so that the capital implied is correctly reflected.

This was declared just to mention of that. And there was a dividend which is planned after this H1. So if you look at that, there's INR110 crores. We subtract 341, 110. We look at one and a half month of expenses at the group level. I think that will be around INR160, INR170 crores. And INR60, INR70 crores is something which is there in the company. We have multiple plans of looking at expansion and opportunity and the growth capex, maintenance capex within the company.

So it looks high at that looking at a 341 number, but the real what is available to the company is around 250 or so. And out of 250, there are one and a half, two months of expenses that are barely covered. We are highly labor-intensive. Employee expenses are high. So that's the kind of balance we like to maintain in that.

Return on capital employed has improved from 12% to 26%. Again, I would like to mention that, our endeavor will be to have somewhere between 23% to 25% return on capital employed.

And as the business grows, the volume grows, there will be definitely the working capital in line with the growth of the business. But on a steady state basis, going forward, we are looking at definitely 20% plus, which is 22%, 25%.

On the risk mitigation part, we are very conscious about this and what risk we are taking. And to the extent it, we have identified the risk, we got to take the mitigation strategy. So there are six factors which has really impacted the performance in the past for many other players where they could not manage those risks and that has resulted in a, that has impacted the financial positions. So what we do on the raw material side, raw material is a complete pass-through as far as the pricing is concerned. On the inventory management, we just discussed that, how we are managing the inventory level. So that is very clearly monitored and kept, always kept in check.

Currency, we do not have currency exposure in the sense that we have a natural hedge on all our overseas operations. In India, we are buying 99% fabric domestically, so there is no risk on that side. Export side, we do follow a calibrated hedging policy, just to make sure that as soon as the order is shipped, then whatever profit it is looking like should get materialized there. At the same time, given the scenario that the currency is depreciating in most of the developing country, we do keep certain, very small portion open also, our receivables, so that we can get a benefit of that depreciation as well.

On the product and social ethic compliances we have seen in the previous slide, all the buyers are very demanding and all our compliances are the first most priority in all the operations, in all the factories, all geographies we are operating. Otherwise also, in company law, statutory law, income tax, other the compliances, the topmost priority, and there are many governance framework, we will see what we have done to ensure that the compliances at the financial and various regulatory environment is kept in control and under check all the time.

Customer relationship, Pallab talked about. Cash flow, we just mentioned about that on the capital allocation policy, on the working capital management, on the asset light. We are very clear about what capex we want to do. Before any capex is incurred in any geography, the return on capital employed is something which every CEO has started talking about. I think this is a continuous engagement with all the CEOs across the geography.

Now any proposal, whether it's a \$1 million or \$500,000, \$2 million, they do come up with a return on capital employed criteria, which is very heartening to see as change which is across geography has happened. And I'm very sure that in time to come it will become a DNA of the finance and every new and the profit center head also.

Governance part, which I was mentioning, we have strengthened the governance in overseas position to begin with. As 85% of our profit rest in overseas location, the first priority was to really get the system process set in there so that the business can become much more scalable and there is a value protection is there for all the shareholder and the stakeholder. And with that we appointed E&Y as a statutory auditor in Hong Kong. There is a lot of good practice they have brought in the company, which we have implemented in the HK level.

Then to strengthen the internal audit operation, because India and Bangladesh represent the largest chunk of the revenue portion, so we thought, you know, let's get our processes, operational processes also strengthened from the big firm. So E&Y came in as an internal auditor in India and Bangladesh, because these are the operational processes which will yield to us to bring the scalability at the end of the day. So that was the reason for getting them as an internal auditor first.

In this quarter three we appointed KPMG as a statutory auditor in Bangladesh. Deloitte is already as an auditor in Vietnam. We have automated many processes around group consolidation, the MIS review, the internal review, the various factory MIS review which happens on a monthly basis, the cash flow, receivable inventory.

A lot of work has happened around all those in terms of, you know, strengthening the governance mechanism, the review mechanism, and bringing much more transparency within the organization and also to share that with all the stakeholders.

We have also strengthened the Board and very happy to announce the induction of three very prominent professionals in their field. Dr. Rajiv Kumar, Mr. Sanjay Kapoor, Mr. Ashwini Agrawal. They bring in rich experience in their respective field and their guidance will surely help the Board and the company in achieving the goal what we have set forward for the next three to four year time period.

All this action and the financial has resulted in improved rating of the company for the last two years, consistent improvement rating has helped in attraction of the lower interest rate. We have been able, despite the hike in the interest rate in India, we were able to reduce the interest rate and our interest rate reduction may not reflect, but it has not increased, despite increase in the interest rate.

So our interest rate for the banking limits in India remain what it was, let's say, one and a half year ago. That is the result of, you know, improvement in rating. And this also helped in terms of getting a sanction letter from the bank for any expansion we are taking place, so that really facilitated the entire process.

We have defined a capital allocation policy very clearly. We are a regular dividend-paying company and we have stated for dividend policy we said that 20% of the profit should be given as a dividend to the shareholder. We need to strike a balance between the growth and also the return to the shareholder and our endeavour is to really make sure that growth is not compromised and money is not compromised at the course of another one. So that's the balance we'd like to maintain while doing a capital allocation policy.

Thank you very much. I'll request Pallab to take us forward.

Pallab Banerjee:

Thanks, Sanjay. So now, I hope all of you are still with us. More than one hour has gone. So quickly, like, I'll go through a couple of slides in terms of what's the next steps, what's our plan going forward. So if you see, like, we have a company which is multinational presence. We had diversified product, robust design and strong customer relationship.

But now what happens to next is that from multiple presence we are going into smart factories, digitization and very strong process and systems that will take us to the next level. Product offering is becoming more and more sustainable as I just said. Without water, how can you wash a garment and the kind of chemical that we're using and all that improvement is going on.

A robust design, we are definitely involving much more technology including the AI which will be going forward. And then, of course, strategic relationship or strategic partnership with the customer. That means we know what they want and they know how they get it from us. And we can invest together or we can go to a new region together or a new factory together. That's the kind of relationship that we believe in. And, yes, we will continue to explore that asset light model as we grow.

So that's where we are talking about Pearl going forward from 1.0 to the 2.0. And what we have done so far, we definitely started communicating with all of you since '19, sorry, 2021. That means, like, after we all joined as a new management team in Pearl. And since then, like, we have been talking about 12% to 15% CAGR.

And we said that we will achieve that INR3,000 plus turnover, INR3,000 crores plus. That has happened. We talked about the expansion that will be there, the four supply chain of the globe. And we want to be present there from two to three. We have already achieved. We'll go towards the four soon.

And then EBITDA, that's something like we have been hearing from all of you has been low. And then that's something we have been working upon. So from 4.1%, the journey now we are striking data at 9.1%. Definitely, our goal is to get to the double digit. And then in terms of ROCE, so there we are talking about we have to be healthy remaining around 18% to 20% or just about 20%. Of course, like you saw, 26% in this nine months. But we are talking about anywhere between 20 to 24. I think that range will continue to be. So that's what we have delivered so far.

If you talk about like to the next four years, like if we have to double again from 200 to 400, we have achieved and now 400 million to 800 million if you're talking about. So in that path, like we are at this point of time doing around say 53, 51 million pieces that we have shipped. This year, most probably we will do about 56, 57.

So from there to go to 100 million number of pieces that we will be shipping. And that is a CAGR of 12% to 14%. In terms of top line, it will result into a 15% to 20% CAGR to achieve our INR6,000 plus, INR6,000 crores plus turnover top line.

Product mix we believe will be similar. Woven and knits, it might vary 5% to 10% plus minus depending on what the trend is globally. And then the EBITDA margin, definitely we are talking about a CAGR of 18% to 23% there as well.

Now to do this, we expect, I think to do this, what we have to do is if you talk about today's capacity, we have about 80 million pieces kind of installed capacity that more or less we have. And we have been running at about 65%. Mind you, out of this 80 million, there is certain production which is through the partnership factories, which we use when and as needed.

So that, if we have to go towards that 100 million pieces that we have to ship, then we have to grow this capacity to about 120 to 140 million kind of capacity we would be needing and operating at about 75% efficiency or capacity utilization. So if I do that, that means within this next four years, we are looking for a forecasted amount of capex of between INNR450 crores to INNR550 crores. That means the 14 factories today that we own 100% and one factory that is a joint venture, we would be needing another almost 9 to 10 factories of the large size ones.

For us, that size is about 1,200 machine factory that we have. So we believe that the source of funding will be a mix of internal accrual, some debt, and some growth capital. In terms of expansion, we will be expanding across all the region, and this is I'm talking about only the organic growth at this point of time.

So we in India, for example, we have already acquired land in Indore where we will be building up a factory. We are exploring and close to do another deal in another particular state of India. India definitely, Government is very robust at this point of time and the PM Mitra is coming up, that whole incentive, the PLI incentive is there, and all the states are very actively pushing us or pulling us at this point of time to open up factories with them.

Overseas, Guatemala, JV already executed. That's not in this 80 million. That would be the addition to the 80 million already is happening through Guatemala, and we are in close discussions with a couple of other locations in this Bangladesh and Vietnam and other places where we can expand by doing an acquisition of a factory.

We may not at this point of time acquire another company for brands and other things because that's something we do have quite a lot, specialty brands and all that we are supplying to. So what for us would be to grow the capacity by acquiring some factories. Greenfield or Brownfield project is much faster for us. So that's something we will be going for.

And while planning this top line, as I just said, like today, if you look at our customer profile, I think top three customer is giving us almost about 50% of our revenue. Top five customers would be about close to 66%, 67% of our revenue. And if I talk of top 10 customers, that is like giving us 80% of the revenue.

Now, how we classify ourselves is that those big three that will be there, like each one of them should be contributing around close to \$100 million. So that will give us \$300 million of turnover. The next 10 customers in the bracket, the bench that we call, would be contributing to about \$350 million to \$400 million. So that's the strategy that we are executing at this point of time. Those numbers of those 10 customers, if it goes, then we get around the \$400 million out there.

And then the new ones, or the smaller ones that we have, that will continue to be the tail, will continue to give us about \$50 million to \$90 million. So that's how we have our path charted out. So capacity of 120 to 140, so that we can execute 100 million pieces, giving that kind of customer focus that we have to achieve our next goal of INNR6,000 crores.

And yes, like as we do this journey, definitely objective is very clear, maximizing return to our stakeholders. So there will be growth in EBIT. We're talking about borrowing leverage, capital

allocation, governance framework. We have talked about fixed assets for optimum utilization is the objective and working capital optimization. So we'll be using each one of those blocks.

So with that, I think I would end this presentation for now. And then should we do some kind of small break and do question and answer, or how do you want to do it? Okay, we can start with the question and answer also.

Karan Thakkar: In case of any questions, I would request you can raise your hand and mention your company name and your name, and then start the question, please.

Priyank: Hi, Priyank here from Vallum Capital. So the question is on, of course, we have talked about current utilizations at 65%. Are you planning for a capacity expansion as well as utilizations going up? What we miss out is, so that there are, we are fairly diversified across the geographies. And Vietnam, as well as Indonesia, sorry, yes, Vietnam and Indonesia are running at less than 50% utilizations, right?

Pallab Banerjee: So when you talk of less than 50% utilization, is that the potential that we have in Vietnam and Bangladesh? Not in Indonesia. Indonesia, we are close to, Indonesia, actually, we just created a new factory. So that's where you saw a dip in that. But generally, in all other locations, like specifically Bangladesh and Vietnam, where we do have maximum number of partnership factories. So if we go for the full utilization of those factories, then that will be a big number. So that's where we have to increase our efficiency more.

Priyank: Exactly. My question was, in Vietnam, we have 80% of our capacity, which is into a partnership. And despite that, what explains less than 50% utilizations over there?

Pallab Banerjee: So, for example, the factory that we own 100%, that's utilized more than 100% at this point of time. Then we have another factory, which we have got a small stake, a very small percentage that we have invested in. So that again, we are utilizing 100%.

The balanced four factories that we have in partnership, so they have offered us like up to a full factory that we can run for them. We have taken a single, limited number of lines at this point of time, and that we are running. So that if I go and take the full capacity, that will be that when you talk about the number of minutes or the number of established capacity that we have in Vietnam. So that's why we say that the utilization is still less. There's a lot of opportunity out there.

Sanjay Gandhi: So let's say the factory has 100 machines, just for an example. So they are -- Partnership factory they're talking about. So they have, let's say 100 machines. So entire 100 is available for us. Whereas our commitment in terms of the minimum commitment remains at a threshold level, which gets utilized.

The rest of the thing is available to us and it will be utilized as the orders start coming in and as we have the visibility on that. So that's what it means. Utilization level looks on the lower side in a partnership.

Pallab Banerjee: Is that clear to you now?

- Priyank:** So exactly what leads to the uniqueness of these partnerships, revenue coming up, the partnership that we have, does it lead to a better balance sheet? Does it lead to better conversion costs? Because the utilization suddenly doesn't seem to be picking up.
- Pallab Banerjee:** So you see, when we talk of utilization of that capacity, then we have planned at this point of time only a certain percentage. So as we grow in size, because it's not that we are making a commodity item and selling to the customer. Making it first and then selling it to the customer.
- What we do is that we are going to our customers, more of a premium customers in Vietnam, and then designing for them, developing the product for them and then executing it. So as this number grows, so we already have charted out that path where my capacity would be. So these are like, we are not giving any financial commitment.
- It is more of a commitment that, okay, we are going to start, we'll take at some point of time the entire factory. For this year, we have taken X number of lines. Next year, we take Y number of lines. Like that.
- Sanjay Gandhi:** And yes, it does help in terms of improvement in return parameters. So for the same asset, let's say you make the fixed asset of \$5 million, you are able to generate with that infrastructure being physically present there. Partnership, return on capital employed goes high. Because your asset turn is largely there.
- Your capital investment in a partnership factory is not on the fixed infrastructure, which is there. It's merely the working capital which goes there. So that in a way really helps in asset turn. And the EBITDA which is generated is much, also get added to the overall EBITDA Vietnam is generating. So overall return ratios improve.
- Pallab Banerjee:** So if you go into the history of Vietnam, they had these big facilities that the government at some point of time helped them to build up. Communist country, employment generation and all. And then these foreign companies like the Chinese or the Vietnam, Koreans, Taiwanese, they started coming in and took this factory.
- And as their business grew, they started taking more and more lines and more and more employees they could hire into those facilities, we should be run by one of the local, some Politburo member or somebody who had been allocated these factories. That's the history of Vietnam. So today when we have walked into them 17 onwards, some of these have been already privatized.
- So they have this beautiful infrastructure, big infrastructure, but not fully utilized. So we have taken like four of them, which is working for us at this point of time. So again, no capex from our side.
- Priyank:** Sure. The second question is on the employee cost, which seems to be slightly higher in if in case, if I have to do a weighted average capacities that you have into India, Bangladesh and then non-India Bangladesh, where you know, the minimum wage, minimum wages are fairly higher, say in Vietnam, Indonesia versus India, Bangladesh, right?

So, so what, so why such strategy where, you know, India where it's so strategically advantaged in terms of the availability of labor as well as the minimum wages, which are fairly, fairly half versus what would be for Vietnam. So yeah, just a strategic question on, on the total employee cost, which is around INR200 crores, sorry, INR500 crores, right? So, so just your thoughts on that.

Pallab Banerjee:

See, first part of the question, like India has everything on paper at this point of time, but you have to convert into a good manufacturing base. So if you today look at it, Vietnam has proven a much better manufacturing base, especially for the sector that we are talking about. So is Bangladesh.

So definitely they were much more ready to grab the business from China as it's exiting. So India definitely has got the potential, has got the people, has got everything, but we need to make it happen as of yet. I think the government policies and the support that we need, I think is coming now.

So in future, I think there is definitely an opportunity for India, but it has not happened as yet. So if you look at it, India's contribution about \$15 billion, \$16 billion or \$17 billion, we have been in that range for a very long time. And whatever business, the \$30 plus, billion that has exited from China, we could not grab it at this point of time as India.

Now coming back to Pearl as a company, so we didn't miss that opportunity. So we were present in both these locations, although despite, like if you talk of China today, their minimum wages in certain provinces are as high as \$600 or \$500 plus. If you go to Vietnam, Hanoi factory that we have is \$400 plus. There are other locations where 300 and 250 is also there. But then compared to that, India is way below. Bangladesh is even less.

But the kind of efficiency that has happened in those countries like Vietnam or China is far superior to what happened in India or to Bangladesh till about five years back. Fortunately for Bangladesh in the last four, five years, they have really done it well and they could successfully gain the maximum benefit as this China shift happened. So India is now getting ready for it. I think over the next four to five years we might see a big change in India as well.

Priyank:

Just a last question from my side. Over the last five years, our volume growth has been at around 6%, CAGR. We shipped around 41 million units in FY '19. We are at 51 million units in FY '23. Maybe the run rate that we would end FY '24 also slightly around 51, 52. 38 was nine months.

So the question is two aspects. What gives us the confidence on the guidance of volume growth of 10% over the next five years given such a volatile macro scenario that we have? That is part A to the question. And part B, despite volumes remaining flat over the last two years, we have still seen a significant growth in the employee cost which is almost up by 20%. So just part A and part B of both the questions.

Pallab Banerjee:

So first of all, let me talk about the units. So units definitely is, there are two things. One is the unit and the per unit value also. So as we developed certain business in Vietnam and in Indonesia and all, where we targeted the customers for a higher value item. So that's what you have seen

in '22, '23. Although like the unit didn't go up, it actually came down from 53 to 51, but still our top line went up.

This year, I think it will be a combination. We'll see even the number of units also will go because as we expanded more in the European markets and Australia market there, the UVR was less, Unit Value Realization was lesser compared to the premium brands that we cater to in US and some other markets. So that will be, I think both will go hand-in-hand.

So yes, maybe like 51, 52, we'll see a much bigger number compared to that. But what we are doing is this average. We keep an average of that over this last five years, if you look at it, and then we are extrapolating it forward. So that's what I'm saying that, okay, this, whatever 50 million to 60 million range that we are in at this point of time, that need to go to a 100 million. So that's how we have done that part. And in terms of...

Sanjay Gandhi:

You know, the garment, every style has standard available minutes. So the 50 may look 55 or maybe 50, but you know, the number of minutes which are going to produce that garments are increasing. So there is two, three variables which goes into it, which means you are able to get a higher sales realization for per unit which you are selling it.

So maybe you are producing, let's say shirt, tomorrow you produce an outerwear. It's one unit, right? But then you may spend 20 minutes here and 40 minutes there and 40 minutes will yield to much higher sale. And that's the result of higher sale realization, which is coming in double sales getting doubled in two years.

And we are very confident that, you know, as we grow in the journey, 15% to 20% growth is something with the capacity to some extent already available to cater to the growth for the immediate next 16 to 18 months' time period. And with all the initiatives which have been really planned out, the capacity for the next two years also will get built up by the time we reach that, you know, 18 to 20 months' time period.

Pallab Banerjee:

And wage, I think, will depend on the minutes. So if you see our minutes are always growing up and that's what is the currency that we internally look into.

Priyank:

Got it. I understand the conversion cost of all that average, we are around INR50 per unit as an EBITDA conversion cost that we get, would it be very significant versus India and Bangladesh, I mean, Vietnam...

Pallab Banerjee:

India-Bangladesh should be something similar. But if you talk of Indonesia and Vietnam, they would be significantly higher.

Bhavesh Shreyas:

Hi, this is Bhavesh Shreyas. We have the family office and I'm handling the family portfolio. I have a question regarding the revenue share. See, since the FY '23 revenue was INR3,158 crores, so it would be better if you can give the split of the, since we have the global presence, which countries have a good ROCE?

And the EBITDA, total EBITDA is INR255 crores. So it would be better if you give them some split. I was waiting for the slide where we have the , seven, eight countries, we have the presence in the office factories. So revenue break up.

Sanjay Gandhi: Yeah, it's there. I mean, you see the segment report it already has the said information.

Bhavesh Shreyas: ROCE, everything is there.

Sanjay Gandhi: ROCE is not there. The segment asset is there. Segment liability is there. We can discuss offline again, you know.

Palash: Hi, Palash here from Nuvama. So my question is, so in terms of capital allocation, which geography excites you the most? So out of INR450 crores, INR550 crores that you're going to invest, out of the three or four geographies that you mentioned, which would be getting the most capital allocation?

Pallab Banerjee: So I would say that more than geography, as Sanjay just mentioned, the ROCE, that return would be very important for us. So wherever we see the more opportunity, that would get a priority. Of course, like, you know, each of the geographies, we do consider them as their own individual strategy, as you know, each of the CEOs are there.

So they're always pushing for, okay, this is the project that I can do, and this can give us this kind of return. So that's the kind of, you know, culture that we're trying to build up in the organization. And that's how we will do the investment.

Sanjay Gandhi: And just to add to Pallab, actually, if you look at the, we have shown regional peers slide, they are present in Vietnam, Bangladesh, Indonesia, Guatemala, everywhere. So there is a potential to grow there also. And it excites us with respect to the product mix productivity, which is there.

Bangladesh is excited in terms of the asset also. So all these are exciting. India, there are so much of things happening with the, you know, new announcement and the long term intent, which is being reflected by the government in whether it's extension of interest subvention scheme, RoSCTL, or, you know, various state subsidy.

I mean, there is excitement around that as well, you know. So we'll have to see which is strategic and which ROCE and long term point of view, which country. So every geography has its own attractiveness at this point in time.

The criteria will be that what fits in the long term criteria and maximize the value for the shareholders. So there is no specific geography specific, we are immune. It's all about return on capital employed as a long term strategic in uni-purpose itself.

Pallab Banerjee: So we are regularly evaluating all the potential projects that we have in our hand. So the priority will give on basis of this RoSCTL.

Palash: So my next question is, so there are different players like KPR, which is focusing on a single geography in terms of the manufacturing footprint. Then there is Gokaldas, which are expanding to different geographies now. And there is Pearl now, who has presence in three or four

geographies. So do you think that players who have not diversified would have disadvantage in the longer term?

Pallab Banerjee:

So in terms of customer point of view, like if I am today a WalMart, or a GAP, or let's say Inditex Group. So they're like if a supplier is coming to me and giving me variety of product from variety of world. So of course, like as a person, like, you know, we'll not nobody puts all the eggs in one basket.

So that something is always there in their mind. And then we are bringing in also the intelligence of what's happening in like Spain, which is one of the fashion center of the world, and then US and UK. So these are three locations like we have really invested in in terms of understanding the market very well.

So that's an added advantage that we're bringing on to the customer. So if you look at the peer that we talked about those five peers, so there are some of them may be better than us in doing the same thing. So that's what we would say what are the best practices that they have already succeeded.

And if you look at it in the world map, nobody is like that from India in that size. So India has the largest exporter manufacturer today, which is non-listed company called Shahi, which is they're close to about a \$1 billion almost in terms of revenue. And again, they're also completely invested, and they work very closely with the government policies and all.

Apart from that, very few people have really gone outside of India. Best Corporation is trying to do something or I think JJ has there, who else? Ambattur again, non-listed company has gone like that.

But if you talk if you really study this industry, what has happened over the last 100 years, before 100 years, the garments were made in New York. In 1922, there was the biggest fire in a garment company. So naturally, if you see the world, how this trade has diversified to the low cost centers, and today, who are ruling this?

Because initially the Jews had full control over this trade, the global trade. From there, China, Chinese and Koreans have taken a lot of control. And then the next strong country would be Taiwan.

So these are the three countries which are ahead of India. So my purpose is that today, or in my life would be to bring India into that map. So yes, Pearl Global would be a good example over the next five years to be a success story in this format.

Maybe after that other people will also follow from India, because India money power is definitely coming. A lot of attention is coming. But people are not thinking like that, as of yet. That's the only difference, I would say.

Sanjay Gandhi:

So not speaking about the competition, Pearl is well-positioned to take advantage across geographies.

Palash: And sir, last question from my side. So recently there was a lot of news about wage rate hikes in Bangladesh. So does that narrow the gap in terms of ROC and margins between India and Bangladesh now?

Pallab Banerjee: So what happened in Bangladesh, the minimum wage after this 56% increase is now equivalent to about INR9,500 approximately. So India, the lowest wage that we can see potentially in a state where we should like to operate would be 10,400. So that's the kind of comparison.

Bangladesh over the last five, six years has really improved in terms of professionalism of this industry. So there the workers today are highly productive. Not as highly maybe the Chinese and the Vietnamese, but much higher than India as of now.

So that's the struggle that India has to go through at this point of time. Highly productive labor that we need. India definitely, as we develop, definitely our government is looking into increasing the minimum wage rates, definitely good for the workers.

But then they have to be productive. So the goal has been left to us, the industry, to make these workers productive. Because they're automatically getting the DA increase and other increases like every month.

So that's the challenge that India has. But we are ready for it, because we are going through this smart route, digitization route, the whole training part. So hopefully we will be definitely catching up to Bangladesh very soon.

Ramesh Tojwani: Sir, [Ramesh Tojwani from Mehta and Vakil. You have made an all-encompassing presentation. You have virtually highlighted in the format we study, that is strength, weakness, opportunity and threat. And you have brought to the notice that it is Bangladesh and Vietnam who have taken away the fall in the Chinese export from 182 billion to 152 billion. The entire fall has been eaten away by these two countries.

Pallab Banerjee: Majority of it, yes.

Ramesh Tojwani: And my observation is many a very good brand in India, they send the fabrics to Bangladesh, get the garment manufactured, apparel manufactured and bring it back to India and sell it with their labels. If we can bring to the notice of the government, which is now proactive, has Make in India theory or import substitution or export elimination, to create an atmosphere, create a policy or create a taxation and duty structure, which as you rightly mentioned on the wage in Bangladesh is 9,500 whereas India is 10,400.

Pallab Banerjee: Cheapest one, cheapest state.

Ramesh Tojwani: Cheapest, yes. We keep that but we do something into the input cost. Like you mentioned digitization, smart factories, digitization processes has increased your EBITDA from 4.1 to 9.1. Going forward, I see it going to be, this itself will give you a double digit in the next year or so and you have given a conservative estimate of 3,000 to 6,000 in the next four years. I see you will be a \$1 billion company four years down the line.

- Pallab Banerjee:** Thank you.
- Ramesh Tojwani:** But to further accelerate, we need the government to recognize when companies like you or others, like you mentioned a few unlisted companies which are already a \$1 billion, when we are wanting to grow, we are wanting to grow and compete in the global market, not in the domestic market. We have to take cognizance of this, the way the Chinese government is doing and the Chinese exporters are able to deliver the product like anything. So, if it is a combined effort from the Apparel Export Promotion Council, the larger exporters, we can have an accelerated government policy.
- Pallab Banerjee:** In fact, as we speak, I think the ministers, Prime Minister and the Textile Minister is meeting some of us in Delhi. The Bharat Tax is happening, I think afternoon 4 o'clock was the meeting. I hope there should be some good development. I think this is a topic that as an export company...
- Ramesh Tojwani:** India basically is a very, very fertile ground for the raw material be it yarn and fabric...
- Pallab Banerjee:** So, you see like globally...
- Ramesh Tojwani:** We have hands which are jobless but not useless. We can synergize and synthesize our strengths, overcome our weakness. We can fix the competition straight into the head.
- Pallab Banerjee:** See, one interesting...
- Ramesh Tojwani:** We are stagnant at 16 billion. Is it not a shame that we cannot go to a 40 billion and a 50 billion export-oriented country?
- Pallab Banerjee:** Should be. Because, see, interestingly, you brought in a very important point. Like, today, in fact, I was discussing with someone that if you look at the global trade of textile and garments, so the major trade that happens, like, you know, there is yarn, raw material like cotton fibre, then yarn, then made-ups, fabrics and all, and then you have got the apparel.
- So, between all of these, the trade, normally the biggest chunk of trade, almost about 60%-61% happens in the garment apparel. But if you look at India's textile and garment, the whole basket, then this portion of apparel comes down to below 40%.
- So, that's where one of the big gap is. So, if we can really focus on the apparel and really grow it up, because that's where the value addition happens, and that's completely human -- workers are needed.
- So, that's where, like, a big unlock is there. So, when Arvind Panagariya also in the planning commission had spoken about it, he wrote that article, the famous article in which he said that INR20 crores, if we invest, then you can generate almost 2,000 employees, employment. Thank you.
- Manoj Alimchandani:** Thank you, sir. Very good presentation. Only two very specific questions on strategy on two slides. My name is Manoj Alimchandani, [Environment Family Offices. Now, slide number 61.

If you remember, to put context, a very important slide on strategy on how you allocate your capacity among different countries, right? India, Bangladesh, Vietnam, the main...

Pallab Banerjee:

The current capacity, what is there, and what we want to do.

Manoj Alimchandani:

Yeah. Today and tomorrow, fantastic. And in this case, recently, Ministry of Industry officials had a meeting with topmost industry people, including me, and they wanted to shift huge business from Bangladesh and Vietnam to India. And one thing is, strategically, how do you allocate capital and mindshare on various countries, including India? Your thoughts on that, particularly? And considering -- and also would like you to share the incentives, government incentives of India, PLI, etcetera, and other countries, how do they compare?

Next question, on another slide. It's standing in the board. I think you can just go on that. So people can see the context. Our friend, Ashwini's name was mentioned there, Demeter's. Now, standing in the board, I remember [Shripal Molkar] mentioned to me about Ashwini in 1992 as analyst interacting at FII. Now, as a strategy, our investor profile, what is the FI component currently today in February about them and your strategy to have high-quality foreign investors, FII, FPI, PE investors through expansion plans, QRP, etcetera?

I'm sure people like Ashwini would be, expectations would be very high for them, independent directors to contribute in that. Specific answers and rest we can take offline and thank you very much. Much better presentation than what we expected, and thanks to Strategic Growth for arranging this. Thank you.

Pallab Banerjee:

Thank you for observation and the good questions. First of all, like you talked about the capacity allocation, yes, rather than country, we should be looking at Indian states. That could be a good future. I would love to do that. But yes, at this point of time, our strategy is more to give better returns to all of you and to our shareholders and bigger stakeholders that we have. So in that, definitely, I think we have to be patient, like as India is in the cusp of, you know, that change.

So we are observing. We are definitely talking to most of the state officials at this point of time and very pleasantly surprised the approach that they have. One gentleman actually told me, he is Principal Secretary of a particular state, he says to generate one government job, I have to budget at least about INR30,000 to INR35,000 per month.

If I give you a subsidy of INR4,000, you can generate that job, and which is what I'm asking for because of the efficiency difference that is there between Bangladesh and India. So if that's the kind of outlook that these government officials have, then I think we are ready. It will happen like immediately.

In the next five, six years, that would be great. But this, I hope this thought process is not of that one individual. It should be across all the states. Because you see, like most of the particularly populated states where this industry can really flourish would be that belt of UP, Bihar, Bengal, and Odisha. This is where today are providing the maximum workforce, which is now either migrating to a Gurgaon region, Bangalore region, Tirupur region, and they're working out there. So that's where the problem comes in.

So they work for four, five months, then they go back for a month, again they come back. So that's not resulting in a very efficient way of working. So yes, if we are opening up those industries near to them, and of course, like we have to be patient because the first generation of workforce from farming or from other work, as they come into the factory, they have to be professional enough to be present 300 days in a year to really get that productivity.

So that's still India is the challenge. The second generation or third generation where they used to go to the factory, it is easier for them to understand that. But the soft skill that is needed as the first time the worker comes in that you have to be present every day at 8 o'clock or 9 o'clock, maybe five minutes before, because that first hour of productivity is important for us.

So those kind of things that we are going through as of now in India, which if you open up a factory in Vietnam, Indonesia, Guatemala, it's given. Very professional, the workforce will come and right at the time, they will start exactly at 9 o'clock or 8 o'clock, whatever is the starting time of the factory. And they will do a perfect quality job when they see a garment, they look at it, if there's a problem, they would again restructure it, you know, do it.

Manoj Alimchandani: There is where the controversy are we saying work ethic is very in auto component sector and the electronic component sector then in the textile sector?

Pallab Banerjee: Yes.

Manoj Alimchandani: I am glad you hit the nail on that.

Pallab Banerjee: So yes, automation would be important. That's why like we have gone into that.

Manoj Alimchandani: If you can succeed in the auto component sector, right Ashwini? And it can succeed in the electronic component sector, where we are going to do, we are doing now, month to month massive exports, you know...

Pallab Banerjee: Yes, it's growing, yeah.

Manoj Alimchandani: And UP and South also, textile thing there, work ethics is much better than most other states...

Pallab Banerjee: Yes, South definitely is better. South definitely is better. South is definitely doing better. But yes, South, you have to see like, you know, 50% of the component of that is from coming from North as migration. And at least in our trade, in our sector, definitely. And the second part of the question was in terms of the expansion of board. So if you see like, we have got somebody who is expert on the government policies. We have somebody who is very good expert in terms of the brands, international brands.

Manoj Alimchandani: Who is on policies on board?

Pallab Banerjee: Dr. Kapoor. So he was the NITI Aayog Vice Chairman. So, Rajiv Kumar or Kapoor? I think, Rajiv Kumar, sorry, Rajiv Kumar. Yeah, yeah. So he is very strong in that. And of course, like, you know, Mr. Sanjay Kapoor is very strong in terms of international branding, brands. And of course, he brings in a lot of, Ashwini brings in a lot of, you know, know-how in the market as of now.

Manoj Alimchandani: You know, I have got long-term foreign high-quality investors.

Pallab Banerjee: So yes, we are definitely, like, we will have much more inputs now in that. And because, as we started the journey in early 2021, so yes, definitely long way to go for us in terms of getting the best of the investors. Thank you.

Manoj Alimchandani: Thank you and all the best.

Akshay: Hi, sir.

Pallab Banerjee: Thank you.

Akshay: This side. Akshay here from JHP. Sir, just a clarification. Are all our orders made to order or do we have some bit of inventory wherein we make the designs and then sell?

Pallab Banerjee: It is all made to order.

Akshay: Okay. So currently, what is the order book, if you can share that?

Pallab Banerjee: Order book means? So normally we, this particular industry works in about, the longest lead time that you get is about six months, visibility, and the maximum order comes in in three months visibility.

Akshay: What is the current realization for garment, if you can share that, at the company level?

Pallab Banerjee: You need value realization, you are talking about?

Akshay: Yeah, yeah.

Pallab Banerjee: That should be close to six.

Pallab Banerjee: 625 plus something.

Akshay: Okay. And what is the reason? Because if I look, Arvind I know is 514 because they have a lot of denim. Gokex does around 1,000. I am not aware about Shahi, but what is the reason that we are trading behind in unit price realizations?

Pallab Banerjee: No, I didn't understand the question. So you've got Arvind and Gokaldas as a higher unit value realization.

Akshay: Arvind is lower, I know that, but Gokex does something around 950,000.

Pallab Banerjee: 950,000 is what? Per unit, per unit realization. So yeah, Gokaldas has got some of the factory which is like making outerwear and some workwear. So you see like they are doing 100% in India as of now, and their factories, traditionally if you go back to the Gokaldas history before it was sold to Blackstone, it was completely into outerwear and this kind of garments. So that's why like their turnover is on that item. So if you compare that with Pearl Global, we do a whole mix of six different categories.

So we do outerwear where our realization would be much, much higher than Gokaldas because we do much more specialized outerwear as you heard from Gurusankar of our Vietnam. But then we also do a Primark tees which could be like \$1 or \$1.5 as well. So it's a huge band and then we do the sleepwear, where we are very big in sleepwear globally.

Gokaldas does some sleepwear for Old Navy. We do sleepwear for many variety of brands and a very big business for us. So there also if you talk of the average prices would be in the range of \$3, \$4. So you've got a whole mix of thing. So when you're talking about an overall company average, that's what we're hearing from us.

Karan Thakkar: Sorry to interrupt. Sir, if you can take one last question due to time constraints?

Pallab Banerjee: Yeah, yeah, please.

Akshay: I have a question. Can I ask?

Pallab Banerjee: Okay, go ahead.

Akshay: So currently at this point of time, say you have to produce one garment, which is the country you would be looking, which is the cheapest cost conversion country? I know you did mention Bangladesh, then India, then Vietnam and then Indonesia. Would it be in that order only?

Pallab Banerjee: Yeah, like if you're talking about only from cheapest production cost, yes, could be.

Akshay: Thanks a lot.

Pallab Banerjee: Thank you. Hi, just a moment.

Analyst: You spoke about those five year comparison on the Chinese companies. Chinese, Taiwanese and Korean. In terms of their ratio, profitability or operating performance, where do they stand vis-à-vis our company?

Pallab Banerjee: So at this point of time...

Sanjay Gandhi: You mean the EBITDA level? So I mean, you see the Chinese company and the one Taiwan company, they have a mill also in their portfolio. So their margin profile will be slightly different than pure garment. So there is a one or two company which are into similar business, similar manufacturing set up the way Pearl is. And their EBITDA margin will be around 12% to 13%. That's what we look at it.

Their working capital days are more than Pearl. So on one parameters, we are better. And other parameters, they are better. Of course, their top line is also a \$1 billion plus. We are at right now 3,200. And if we, as we are targeting to achieve that, and I'm sure we'll be...

Pallab Banerjee: We need to reduce our overhead cost at this point of time, which is a high percentage. Thank you.

- Analyst:** Hi, thank you. Can you share what your performance measurement and compensation systems are for the leadership team? Because you're talking about, you know, ROCs to be improving on a regular basis. You have a slightly longer term goal between three years, five years. And you have certain operational challenges like work culture in India or whatever. How are your overall compensation systems aligned to these objectives, especially for the top management? And if possible, you can share with the others also.
- Pallab Banerjee:** So Pearl believes in a much more incentive oriented compensation. So all of us, as we join, we agree for a lower fixed salary, higher performance based. And everything is on the basis of PAT, FCF, and the top line.
- Analyst:** So the question was, if your focus is on ROC and shareholder value creation, what proportion of your compensation is aligned towards those measures? Or if at all, it is aligned to those measures?
- Sanjay Gandhi:** I may just like to add, there is a good portion which is associated towards a free cash flow generation. The CEO and the CFO of each country, including the group level, a good portion is connected to the free cash flow generation by the business. And that will lead to all other parameters to function.
- At the plant level, there is operational efficiency metrics, which is defined in man-machine ratio, rejection ratio, PCD. We can run through the 10, 15 parameters. Eventually, the incentive is linked to the unit profitability, what they are able to generate. Then there are the structure. We have ESOP scheme also for everybody. I mean, for being every state, all the critical employees. There's a good number of managers, senior managers, and we are covered there.
- Pallab Banerjee:** Yeah, we have gone into the people like also, who have been in the organization for a very long time. We have given them also a lot of ESOPs.
- Karan Thakkar:** So thank you.
- Pallab Banerjee:** Thank you.
- Karan Thakkar:** Thank you.
- Pallab Banerjee:** Okay, we can have some.
- Karan Thakkar:** Sir, just a closing comment and then we can proceed.
- Pallab Banerjee:** Okay, first of all, thank you again, once again, for patiently hearing, spending these two hours with us. We would definitely like to interact more with you. We are open as a management team. Like we were open to your suggestions. We want to hear from you and definitely work together to create a common goal. Thank you so much.
- Sanjay Gandhi:** Thank you so much. We, thanks for engaging evening. We look forward to more participation. Thank you very much.
- Karan Thakkar:** Thank you everyone for joining. And we would request if you can join us for the high tea, please.