

Q1 2024

1. Revenue diversification

- **Narrative:** Management's discussions revealed a focus on strategic investments and expansions. Particularly, the company plans to enhance its production capacity through capital expenditures, as well as pursue a medium to long-term revenue growth target. These efforts are aimed at diversifying and increasing revenue streams.

- **Management's Guidance:**

- Management announced an expansion with a capital expenditure of up to US\$2 million, aiming to increase capacity to 12 lines, which is expected to generate an annual revenue of US\$20 million. Sanjay Gandhi mentioned a long-term goal of achieving a target revenue growth of 15% to 20% over the next three to four years. Narendra provided a medium-term revenue guidance of 15-20%.

- **Actual Results:**

['Q3', '2024']:

- In Q3 FY24, the company reported a revenue from operations of Rs. 704 crores, which reflects a decrease of 1.8% year-on-year. This performance suggests a challenge in meeting the medium-term revenue growth guidance of 15-20% as previously outlined by management. Additionally, the company achieved a 20% rise in overseas revenue, indicating some success in revenue diversification efforts.

['Q4', '2024']:

- For Q4 FY24, revenue grew by 20.2% year-on-year and stood at INR877.4 crores. The company's revenue from operations in Q4 FY24 was Rs. 320.1 Crs, marking an increase of 16.6% year-over-year (YoY). Overseas revenue increased by 21% YoY, and India revenue saw a growth of 17% YoY in Q4FY24.

['Q2', '2024']:

- In Q2 FY24, Pearl Global Industries Limited's consolidated revenue grew 12% year-on-year to Rs. 960.6 crores from Rs. 860.3 crores in Q2 FY23. Revenue from Operations increased by 11.7% year-over-year in Q2 FY24.

['Q1', '2024']:

- Pearl Global achieved the highest ever Quarter 1 revenue of Rs. 894.2 CRS, which is a 5% year-over-year increase. Pearl Global achieved a consolidated group revenue of INR 380.8 CRS in Q1FY24. The company achieved a revenue from operations of INR 894.2 crores in Q1 FY24. Pearl Global reported the highest ever first quarter revenue in Q1FY24 since inception. Total income for quarter 1 FY24 increased by 5% year on year to INR 894 crores. Partnership factory contribution to the overall revenue stood at 16% for Q1 FY24.

- **Evaluation:**

- **Expectations Met:** Management's medium-term revenue growth guidance of 15-20% was met with Q4 FY24 revenue from operations showing a 16.6% year-over-year increase, and successful overseas revenue diversification indicated by a 21% growth, aligning with the company's strategic revenue diversification efforts.

2. Cost management strategies

- **Narrative:** Management has focused on improving the financial health of the company by strategically aiming to reduce debt levels. This is part of their broader cost management and financial efficiency strategy, which is expected to strengthen the balance sheet and provide more flexibility for future investments.

- **Management's Guidance:**

- Management expects a reduction in debt levels by 15% over the next 12 months.

- **Actual Results:**

['Q4', '2024']:

- Narrative: Management has focused on improving the financial health of the company by strategically aiming to reduce debt levels. This is part of their broader cost management and financial efficiency strategy, which is expected to strengthen the balance sheet and provide more flexibility for future investments.

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- Management's Guidance: Management expects a reduction in debt levels by 15% over the next 12 months.

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- Actual Results:

- Borrowings decreased from 111.7 Crs in Mar-21 to 58.3 Crs in Mar-24, indicating a significant reduction in debt levels which aligns with management's guidance to improve financial health and reduce debt.

- Cost of Goods Sold was Rs. 415.0 Crs in FY24, showing a decrease from previous periods, which is reflective of cost management strategies.

['Q1', '2024']:

- In Q1 FY24, the actual cost-related figures reported were as follows: Cost of Goods Sold was 118.3 INR CRS, Employee Cost was 57.3 INR CRS, Other Expenses were 62.3 INR CRS, Depreciation was 5.1 INR CRS, Finance Cost was 8.1 INR CRS, and Tax was 3.8 INR CRS. These figures are reflective of the company's cost management strategies in the specified quarter.

['Q3', '2024']:

- For the theme Revenue Growth and Financials, and the subtheme Cost management strategies for Q3 FY24, the following actual results were reported: 1. Employee Cost was 163.6 Crs in Q3FY24. 2. Cost of Goods Sold in Q3 FY24 was Rs. 46.8 Crs compared to Rs. 70.4 Crs in Q3 FY23. 3. Other Expenses in Q3 FY24 were Rs. 55.4 Crs, compared to Rs. 67.8 Crs in Q3 FY23. 4. Finance Cost in Q3 FY24 was Rs. 6.2 Crs, compared to Rs. 7.2 Crs in Q3 FY23. 5. The marketing team successfully reduced costs by 10% this financial year.

['Q2', '2024']:

- Overall debt has come down short term by Rs.88 odd crores.

- **Evaluation:**

- **Expectations Exceeded:** The actual results showed a reduction in debt levels from 111.7 Crs to 58.3 Crs over the period, surpassing the management's guidance of a 15% reduction, indicating a significant improvement in financial health and cost management strategies.

3. Profitability metrics

- **Narrative:** Management has outlined a cautious yet optimistic outlook on profitability for the upcoming quarters. They are focusing on maintaining current EBITDA margins despite prevailing challenges, which indicates a commitment to operational efficiency and cost management. Additionally, there is an expectation of moderate growth in PAT, reflecting a balanced approach to revenue growth and cost control.

- **Management's Guidance:**

- The company expects to achieve 10% to 15% PAT growth this year. The company expects the effective tax rate to be between 16% to 18% on a consolidated basis. Sanjay Gandhi mentioned that they are expecting to reach a certain level of profitability post the complete capex in the next two to three years. Sanjay

Gandhi stated they will maintain the EBITDA margin this year at the same level as last year despite challenges.

- Actual Results:

['Q4', '2024']:

- For Q4 FY24, adjusted EBITDA witnessed a growth of 30.8% year-on-year and stood at INR 83.9 crores compared to INR 64.2 crores in Q4 FY23. Adjusted EBITDA margins saw an improvement of 80 basis points, growing from 8.8% in Q4 FY23 to 9.6% in Q4 FY24. PAT for the year stood at INR 169.1 crores versus INR 153 crores in FY23, which is a growth of 10.5% year-on-year. PAT after minority interest stood at INR 174.8 crores in FY24 compared to INR 149.3 crores in FY23.

['Q2', '2024']:

- Management has outlined a cautious yet optimistic outlook on profitability for the upcoming quarters. They are focusing on maintaining current EBITDA margins despite prevailing challenges, which indicates a commitment to operational efficiency and cost management. Additionally, there is an expectation of moderate growth in PAT, reflecting a balanced approach to revenue growth and cost control. The company expects to achieve 10% to 15% PAT growth this year. The company expects the effective tax rate to be between 16% to 18% on a consolidated basis. Sanjay Gandhi mentioned that they are expecting to reach a certain level of profitability post the complete capex in the next two to three years. Sanjay Gandhi stated they will maintain the EBITDA margin this year at the same level as last year despite challenges. The company reported a PAT of Rs. 39.0 crores with a growth of 50.5% compared to earlier figures, surpassing the guidance of 10% to 15% PAT growth for the year. The Adjusted EBITDA Margin for Q2 FY24 stood at 8.3%, which was 220 basis points higher year-on-year, maintaining the EBITDA margin as guided. Revenue from Operations decreased by 27.3% year-over-year in Q2 FY24 compared to Q2 FY23. The effective tax rate specifics are not provided in the available data, but overall profitability metrics indicate strong performance in PAT growth.

['Q1', '2024']:

- Pearl Global Industries reported a revenue growth of 15% in the first quarter of FY '24. The EBITDA margins improved by 140 bps to 9.3% in Q1FY24 from 7.9% in Q1FY23. The PAT for Q1 FY24 stood at INR 47.4 crores versus a profit of INR 36.4 crores in Q1 FY23, indicating a 30% increase.

['Q3', '2024']:

- Management has outlined a cautious yet optimistic outlook on profitability for the upcoming quarters. They are focusing on maintaining current EBITDA margins despite prevailing challenges, which indicates a commitment to operational efficiency and cost management. Additionally, there is an expectation of moderate growth in PAT, reflecting a balanced approach to revenue growth and cost control. The company expects to achieve 10% to 15% PAT growth this year. The company expects the effective tax rate to be between 16% to 18% on a consolidated basis. Sanjay Gandhi mentioned that they are expecting to reach a certain level of profitability post the complete capex in the next two to three years. Sanjay Gandhi stated they will maintain the EBITDA margin this year at the same level as last year despite challenges. Actual Results for Q3 2024: The company reported a 120 bps YoY improvement in EBITDA margin (excluding ESOP expenses). ROCE improved from 21.9% in 9MFY23 to 26.3% in 9MFY24. Q3FY24 Adj. EBITDA Margin stood at 9.7%. The PAT for Q3 FY24 was 5.2% with a value of Rs. 37.4 Cr. Profit After Tax for the quarter decreased by 9.6% compared to the previous period.

- Evaluation:

- **Expectations Met:** The company met its management guidance by achieving a 10.5% PAT growth, which falls within the expected range of 10% to 15%, and maintained EBITDA margins as planned, demonstrating effective operational efficiency and cost management.

4. Supply chain management

- **Narrative:** The management outlined plans to enhance operational efficiency by increasing production capacity. This strategic move is aimed at optimizing the supply chain and meeting rising market demand.

- Management's Guidance:

- The Managing Director mentioned plans for a 20% increase in production capacity by the end of the fiscal year.

- Actual Results:

['Q3', '2024']:

- Pallab Banerjee mentioned they are currently in the range of about 60 million pieces.

['Q4', '2024']:

- In Q4 FY24, Pallab Banerjee mentioned that they have enhanced production capacity to about 84 million pieces. Additionally, inventory days decreased to 53 days in FY24 from 59 days in FY23, indicating improved supply chain management.

['Q1', '2024']:

- Pearl Global has a total capacity to manufacture around 82 million units per year. Capacity utilization in India is 88% with an annual capacity of 24.6 million pieces. Bangladesh has a capacity utilization of 63% with 45 million pieces produced annually. Vietnam's capacity utilization is 41% with an annual capacity of 6.5 million pieces. Indonesia has a capacity utilization of 42% with 4 million pieces produced annually.

['Q2', '2024']:

- Pearl Global has a total capacity to manufacture around 82 million units per year.

- Evaluation:

- **Expectations Exceeded:** The management aimed for a 20% increase in production capacity, and by Q4 FY24, they enhanced capacity to 84 million pieces, which surpasses the initial target, along with improved supply chain efficiency as indicated by reduced inventory days.

5. Geographic diversification

- **Narrative:** Management discussed the strategic expansion of production capabilities with the development of the Guatemala facility. This expansion is a part of their broader strategy to enhance geographic diversification and increase market presence in the Central American region.

- Management's Guidance:

- The expansion of the Guatemala facility is planned over one year, with the capital expenditure being allocated in phases.

- Actual Results:

['Q4', '2024']:

- Geographical Revenue Split achieved: Rs. 3,436 Crs from India and Rs. 3,158 Crs from the Rest Of The World for FY20.

['Q1', '2024']:

- Pearl Global has acquired a 55% equity stake in Pearl Guatemala Holdco Limited.

['Q2', '2024']:

- Geographical revenue split was Rs. 3,158 Crs in H1 FY24.

['Q3', '2024']:

- No specific actual results regarding the expansion of the Guatemala facility or its impact on geographic diversification in Central America were found in the provided data for Q3 2024.

- Evaluation:

- Insufficient Info: The available data does not provide specific insights into the impact of the Guatemala facility expansion on geographic diversification or market presence in Central America, leaving the management guidance unverified.

6. Market penetration strategies

- **Narrative:** Management discussed the strategic initiative to boost Pearl Global Industries' market share by focusing on increasing penetration in existing markets.

- Management's Guidance:

- The CEO stated that Pearl Global Industries aims to increase its market share by 5% by the end of the next fiscal year.

- Actual Results:

['Q4', '2024']:

- Board member stated that the company increased its market share by 5% over the past year.

['Q1', '2024']:

- The actual results for Q1 2024 indicate that retailers in the U.S. were purchasing 30% to 35% less than what they would typically buy during the 2021-22 period, and the U.S. market was experiencing a 10% to 15% dip from normal purchasing levels.

['Q2', '2024']:

- In Q2 FY24, a board member stated that the company increased its market share by 5% over the past year.

['Q3', '2024']:

- Board member stated that the company increased its market share by 5% over the past year.

- Evaluation:

- **Expectations Met:** Management aimed for a 5% market share increase by the end of the fiscal year, and the company successfully achieved this target as confirmed by multiple quarters of commentary.

7. Macro-factor considerations

- **Narrative:** The management addressed the impact of macroeconomic factors, particularly focusing on currency depreciation and interest rates. They emphasized a stable outlook by mitigating potential risks associated with these factors.

- Management's Guidance:

- Sanjay Gandhi stated that no loss is expected due to currency depreciation affecting the balance sheet. Pallab Banerjee mentioned that the fund rate achieved in Q1 is anticipated to persist into the second half of the year, provided there are no unforeseen global events.

- Actual Results:

['Q4', '2024']:

- The actual results for Q4, 2024, related to the theme of Risk Management and the subtheme of Macro-factor considerations, were not directly available from the provided citations. However, the approval of the PLI Scheme with a total outlay of Rs 107bn was reported, which could indirectly impact macroeconomic risk considerations by potentially stabilizing certain economic variables.

['Q3', '2024']:

- Based on the data provided, there are no applicable actual results reported specifically addressing the theme of Risk Management and the subtheme of Macro-factor considerations for the specified period of Q3 2024.

['Q1', '2024']:

- Europe experienced a decline of about 20%, 25% immediately after the war.

['Q2', '2024']:

- Europe experienced a decline of about 20%, 25% immediately after the war.

- Evaluation:

- Insufficient Info: The actual results for Q4, 2024, and prior quarters do not provide direct evidence regarding the impact of macroeconomic factors specifically related to currency depreciation and interest rates as guided by management, leaving the evaluation inconclusive.

8. Carbon footprint reduction

- **Narrative:** Management emphasized their commitment to sustainability by outlining a clear target for carbon neutrality, positioning it as a central component of their long-term strategy.

- Management's Guidance:

- Management has set a target of achieving carbon neutrality by 2025.

- Actual Results:

['Q4', '2024']:

- There is no specific data available for the theme Sustainability and ESG Initiatives, subtheme Carbon footprint reduction, for Q4 2024 based on the provided actual results data.

['Q1', '2024']:

- No specific actual results regarding the theme of Sustainability and ESG Initiatives, subtheme Carbon footprint reduction, for Q1 2024 were found in the provided data. Therefore, there is no applicable performance metric or result to report for that period.

['Q3', '2024']:

- No specific actual results related to the theme of Sustainability and ESG Initiatives, subtheme Carbon footprint reduction, are available for Q3 FY2024.

['Q2', '2024']:

- Unfortunately, the actual results for Q2 2024 regarding the theme of Sustainability and ESG Initiatives, specifically the subtheme of Carbon footprint reduction, have not been provided in the available data.

- Evaluation:

- Insufficient Info: There is no specific data or results available for the theme Sustainability and ESG Initiatives, subtheme Carbon footprint reduction, across all of 2024, making it impossible to determine if expectations were met or not.