Q1 2023

1. Revenue diversification
- **Narrative:** Management highlighted the impressive year-on-year increase in total income for Quarter 1 FY'23 and discussed the broader growth prospects for India textile exports, indicating a strategic focus on expanding market opportunities and diversifying revenue streams.
- **Management's Guidance:**
- Management anticipates an 11% compound annual growth rate (CAGR) in India textile exports, projecting the market to reach approximately $65 billion by 2026, highlighting significant market expansion potential.
- **Actual Results:**
['Q3', '2023']:
- In Q3 FY23, revenue from operations was reported at INR 200.8 crores, representing a 1% year-on-year increase compared to Q3 FY22. Additionally, revenue for the nine months of FY23 increased by 42% year-on-year to INR 829 crores, which aligns with the broader growth narrative previously outlined by management.
['Q4', '2023']:
- In Q4 FY23, management reported that the revenue for the quarter was INR 730.0 crores, which represented an 18.5% decline compared to INR 896 crores in FY22. Despite a decrease in quarterly revenue, the full fiscal year (FY23) saw a revenue increase by 16.4% year-on-year to INR 3,158 crores, up from INR 2,713 crores in FY22. Additionally, it was noted that revenue contribution from customers added in the last five years doubled in FY23, indicating effective revenue diversification efforts.
['Q2', '2023']:
- In Q2 FY23, revenue from operations achieved INR 860.3 Crores, representing a 26% year-on-year increase. On a standalone basis, revenue for Q2 FY23 grew by 39% from INR 216.3 Crores to INR 300.5 Crores. Additionally, partnership factory contribution to overall revenue increased from 9% to 21% in India, demonstrating effective revenue diversification strategies. Overseas revenue increased by 30% and India by 60%, further supporting the narrative of expanding market opportunities and diversifying revenue streams.
['Q1', '2023']:
- In Q1 FY23, management reported that the revenue from operations was INR 851.1 Cr, representing a 95% year-over-year increase due to improved capacity utilizations in Vietnam and Bangladesh. The contribution from partnership factories to overall revenue increased significantly from 2.8% in Q1 FY22 to 21.3% in Q1 FY23, marking the highest ever first-quarter revenue since inception.
- **Evaluation:**
- Expectations Exceeded: The actual results demonstrate substantial revenue growth and effective revenue diversification, with partnership contributions increasing and overseas and local revenues surging significantly beyond management's initial strategic focus, surpassing the broader growth narrative outlined in the management guidance.

2. Profitability metrics
- **Narrative:** During the Q1 2023 earnings call, management focused on strategic initiatives aimed at enhancing profitability metrics. The CFO discussed goals for increasing net profit, while Sanjay Gandhi highlighted plans to boost return on capital employed with new partnerships. Additionally, Pallab Banerjee provided insights into expected revenue targets and market challenges, acknowledging potential headwinds from major U.S. customers.
- **Management's Guidance:**
- The CFO mentioned that the company aims to achieve a 20% increase in net profit by the end of the fiscal year. Sanjay Gandhi indicated a target for incremental partnership arrangements to achieve an overall return on capital employed close to 20%. Additionally, Sanjay Gandhi mentioned that the factors discussed are likely to help the company in improving the margins going forward.
- **Actual Results:**
['Q2', '2023']:
- The company achieved a 15% increase in revenue last quarter. ROCE improved by 800 bps to 20% in H1FY23 from 12.4% in FY22. EBITDA Margins improved by 180 bps to 7.0% in H1FY23 from 5.2% in H1FY22. On a standalone basis, EBITDA for H1 FY23 stood at 38.1 Crores, a growth of 109.6%. Adjusted PBT excluding exceptional items for H1 FY23 on a consolidated basis grew 201% from 25.9 Crores in H1 FY22 to 77.8 Crores in H1 FY23.
['Q3', '2023']:
- In Q3 FY23, the board achieved a 2% year-over-year increase in revenue from operations compared to Q3 FY22 and a 21% year-over-year increase in gross profit. The company also reported a 71% year-over-year increase in EBITDA and an 87% increase in EBIT. Profit before tax (PBT) saw a significant increase of 109% compared to the previous year. Additionally, the return on capital employed (ROCE) improved from 12.4% at the end of financial year ’22 to 21.9% in 9MFY23.
['Q4', '2023']:
- In Q4 FY23, the company reported a record-breaking revenue performance as stated by Mr. Pallab Banerjee. The return on capital employed improved significantly from 12.2% in FY22 to 24.2% in FY23. The EBITDA margin was reported at 8.6% in Q4 FY23, showing a robust improvement in profitability metrics. Additionally, the PAT increased by 87.1% this year, indicating a strong growth in net profit. The company declared an interim dividend of INR 5 per share, resulting in a total dividend of INR 7.5 for FY23.
['Q1', '2023']:
- The company achieved a 15% increase in revenue in the last quarter. The gross profit for Q1 FY23 was INR 377.3 Cr. EBITDA for Q1 FY23 stood at INR 67.1 Cr, with an increase of 268.7%. PAT for Q1 FY23 was INR 36.4 Cr. PAT Margin improved by 290 bps to 5.5% in Q1FY23. EPS reached 18.0 in Q1FY23.
- **Evaluation:**
- Expectations Exceeded: The management aimed for a 20% increase in net profit by year-end and a ROCE close to 20%; actual results surpassed these targets with a 24.2% ROCE and an 87.1% increase in PAT, indicating significant improvements in profitability metrics beyond expectations.

3. Cash flow management
- **Narrative:** In the Q1 2023 earnings call, management highlighted their approach to cash flow management, emphasizing a cautious stance on debt management. The discussion revolved around leveraging existing cash reserves for operational needs rather than debt retirement.
- **Management's Guidance:**
- The company stated that it does not plan to retire any debt using current cash and bank balances in the upcoming quarters.
- **Actual Results:**
['Q4', '2023']:

- In Q4 FY23, gross debt declined to INR 206 crores in FY23 versus INR 260 crores in FY22, and the net gearing ratio improved to 0.31 times from 0.57 times in FY22. Cash generated from operations was substantial, with a net cash from operating activities of 364.8 INR CRS. at the end of the period. Cash & cash equivalents also increased to 256.1 INR CRS. from 116.9 INR CRS. the previous year, indicating effective cash flow management while maintaining the debt levels as guided.
['Q1', '2023']:
- Cash and cash equivalents were reported as 116.9. Bank balances were recorded as 329. Loans amounted to 34.6. Other Financial Assets were 5.9. The number of net working capital days has come down compared to FY21 to FY22.
['Q2', '2023']:
- In Q2 2023, management reported that Cash and cash equivalents increased from 150 Crores in FY22 to 187 Crores as of September 2022. Cash generated from Operations was 95.6 INR CRS in Sep-22 and 12.8 INR CRS in Sep-21. Net Cash from Operating Activities was 95.3 INR CRS in Sep-22 and 4.9 INR CRS in Sep-21. Net Cash from Investing Activities was -31.7 INR CRS in Sep-22 and -23.2 INR CRS in Sep-21. Net Cash from Financing Activities was -81.3 INR CRS in Sep-22 and -16.5 INR CRS in Sep-21. Net Decrease in Cash and Cash equivalents was -17.7 INR CRS in Sep-22 and -34.8 INR CRS in Sep-21. Cash & Cash equivalents at the beginning of the period were 43.2 INR CRS in Sep-22 and 46.0 INR CRS in Sep-21. Cash & Cash equivalents at the end of the period were 25.5 INR CRS in Sep-22 and 11.2 INR CRS in Sep-21.
['Q3', '2023']:
- In Q3 2023, management reported a continued focus on cash flow management with no debt retirement being pursued using existing cash reserves, consistent with the guidance provided earlier.
- **Evaluation:**
- Expectations Met: The management's guidance to maintain debt levels using cash reserves was fulfilled, as evidenced by the stable debt management and improved cash flow metrics without retiring debt, aligning with their initial cautious stance.

4. Supply chain management
- **Narrative:** Management has outlined its plan to significantly boost production capacity, indicating a strategic focus on enhancing operational efficiency. This is aimed at meeting growing market demands and improving supply chain management effectiveness.
- **Management's Guidance:**
- Management is targeting a 20% increase in production capacity by the end of the fiscal year.
- **Actual Results:**
['Q4', '2023']:
- In Q4 FY23, India had a capacity utilization of 88%, Bangladesh had a capacity utilization of 63%, Vietnam had a capacity utilization of 41%, and Indonesia had a capacity utilization of 42%. Pearl Global has a total capacity to manufacture around 82 million units per year. Over 32,000 skilled workers ensure that your deliveries are done on-time without compromising quality. Pallab Banerjee mentioned that they have an arrangement of utilizing 30% to 50% of their partner factory's capacity.
['Q1', '2023']:
- The company expanded its manufacturing capacity by 20% over the past year.
['Q2', '2023']:
- Pearl Global has a total capacity to manufacture around 82 million units per year.
['Q3', '2023']:
- Over 32,000 skilled workers ensure that your deliveries are done on-time without compromising quality
- **Evaluation:**
- Expectations Met: Management targeted a 20% increase in production capacity by the end of the fiscal year, and this was achieved as the company expanded its manufacturing capacity by 20% over the past year, aligning with the stated goals.

5. Cost reduction initiatives
- **Narrative:** Management is focusing on improving operational efficiency by increasing capacity utilization. This initiative is aimed at reducing costs and optimizing resource allocation within the company.
- **Management's Guidance:**
- Management plans to increase capacity utilization from 65% to 75% within the year, which is expected to lead to cost reductions and improved operational efficiency.
- **Actual Results:**
['Q2', '2023']:
- The capacity utilization for H1 was definitely 90% plus.
['Q3', '2023']:
- The board member mentioned that they reduced operational costs by 10% this quarter. [42b9ed5012ae827b27be48796ca46a4d]
['Q4', '2023']:
- In Q4 2023, management reported a reduction in operational costs by 10% over the past year. However, the capacity utilization remained at around 65%, not achieving the targeted 75%.
['Q1', '2023']:
- Pearl Global reduced operational costs by 5% this year.
- **Evaluation:**
- Expectations Not Met: The management aimed to increase capacity utilization from 65% to 75% to achieve cost reductions, but by Q4 2023, capacity utilization remained at 65% despite achieving a 10% reduction in operational costs, thus falling short of the utilization target.

6. Geographic diversification
- **Narrative:** Management discussed plans to strategically diversify the company's geographic presence by expanding market operations in Southeast Asia. This is part of an effort to balance the geographic revenue mix and reduce the company's heavy dependency on the U.S. market, which currently forms a significant portion of their business.
- **Management's Guidance:**
- The CEO outlined a plan to expand market presence in Southeast Asia within the next two years. Pallab Banerjee indicated a strategic shift in the geographic revenue mix, with an aim to reduce the current reliance on the U.S. market, which constitutes more than 80% to 85% of their business.
- **Actual Results:**

['Q2', '2023']:
- The board member noted that the company opened five new stores this year. India's contribution to the total numbers has been maintained at around 35%.
['Q3', '2023']:
- The board member noted that the company opened five new stores this year.
['Q4', '2023']:
- No actual results are provided for the theme Market Strategy and Expansion, subtheme Geographic diversification for Q4, 2023, based on the data available.
['Q1', '2023']:
- Pallab Banerjee mentioned that U.S. market used to be almost like $35 plus million for China.
- **Evaluation:**
- Expectations Not Met: The management aimed for a strategic shift to diversify geographic revenue by expanding in Southeast Asia and reducing reliance on the U.S. market, but the actual results indicate limited progress, with no significant changes reported in the geographic revenue mix or specific Southeast Asia developments.

7. Market penetration strategies
- **Narrative:** Management discussed plans to enhance market penetration through significant expansion of production capacity.
- **Management's Guidance:**
- The Managing Director stated that the company plans to expand its production capacity by 20% in the next fiscal year.
- **Actual Results:**
['Q2', '2023']:
- No specific data on market penetration strategies is available for Q2, 2023 based on the provided actuals knowledge graph.
['Q3', '2023']:
- In Q3 2023, the company reported achieving a 15% increase in market share last year, which suggests progress in market penetration strategies.
['Q4', '2023']:
- In Q4 FY23, management reported achieving a 15% increase in market share last year.
['Q1', '2023']:
- There are no relevant actual performance metrics or results reported for the theme Market Strategy and Expansion, subtheme Market penetration strategies in Q1 2023.
- **Evaluation:**
- Expectations Met: Despite the lack of specific data on production capacity expansion, the company achieved a 15% increase in market share, indicating that the market penetration strategy through expansion was effective and aligned with management's goals.

8. Expansion under PLI scheme
- **Narrative:** Management discussed the potential exploration and utilization of the Production Linked Incentive (PLI) scheme as a strategic component of the company's growth initiatives within India. This indicates a focus on leveraging government incentives to enhance their operational and market capabilities.
- **Management's Guidance:**
- The company plans to explore the PLI scheme as part of its growth engine in India.
- **Actual Results:**
['Q3', '2023']:
- The PLI Scheme was approved with a total outlay of Rs 107bn.
['Q2', '2023']:
- In Q2, 2023, the PLI Scheme was approved with a total outlay of Rs 107bn.
['Q4', '2023']:
- The PLI Scheme was approved with a total outlay of Rs 107bn.
['Q1', '2023']:
- In Q1 2023, it was reported that the PLI Scheme was approved with a total outlay of Rs 107bn.
- **Evaluation:**
- Insufficient Info: The management's guidance was to explore the PLI scheme as a growth engine, but the actual results only confirm its approval without detailing any strategic utilization or impact on operations or market capabilities, leaving the outcome of the strategic intent unclear.

9. Macro-factor considerations
- **Narrative:** Management highlighted the importance of maintaining stable margins amidst potential macroeconomic challenges. They emphasized a cautious approach to risk management in order to sustain profitability throughout the year.
- **Management's Guidance:**
- Management aims to maintain a margin of around 7.8% or 8% for the entire year, contingent on macro risks remaining manageable.
- **Actual Results:**
['Q3', '2023']:
- Pallab Banerjee mentioned that at this point in time, there is an inflation of more than a couple of percent.
['Q2', '2023']:
- In Q2 2023, Pallab Banerjee mentioned that at this point in time, there is an inflation of more than a couple of percent.
['Q4', '2023']:
- In Q4 FY23, Pallab Banerjee mentioned that at this point in time, there is an inflation of more than a couple of percent. This indicates that macroeconomic factors, such as inflation, were impacting the company's ability to maintain the guided margin range.
['Q1', '2023']:
- Pallab Banerjee mentioned that big customers in the U.S. market are projecting a drop in numbers anywhere between 10% to 30%.
- **Evaluation:**
- Expectations Not Met: Despite management's aim to maintain margins around 7.8% or 8%, persistent inflationary pressures throughout the year impacted the company's ability to achieve the guided margin range, indicating that macroeconomic factors were more challenging than anticipated.

10. Management transparency
- **Narrative:** The management did not provide specific guidance with clear metrics, timelines, or actionable plans during the discussion.

- **Management's Guidance:**
- There was no specific forward-looking guidance provided for future quarters.
- **Actual Results:**
['Q3', '2023']:
- No specific data was provided in the transcript.
['Q2', '2023']:
- No specific data was provided in the transcript.
['Q4', '2023']:
- No specific data was provided in the transcript.
['Q1', '2023']:
- No specific data was provided in the transcript.
- **Evaluation:**
- Insufficient Info: The management did not provide specific guidance or metrics, and the actual results lacked specific data, making it impossible to evaluate whether expectations were met.