Q4 2023

1. Revenue diversification

- **Narrative:** Management has consistently emphasized their strategy to achieve significant revenue growth through both geographical expansion and increased operational capacity. This involves leveraging the new facility in Indonesia to drive revenue increases and maintaining a robust compound annual growth rate (CAGR) through strategic initiatives.
- **Management's Guidance:**
- Management is confident of achieving a 15% to 20% revenue CAGR over the next three to four years. The new facility in Indonesia is expected to drive increased revenues in the next fiscal year of 2024-25. Pallab Banerjee indicated a continuous growth projection of 15% to 20% CAGR year-on-year over the next five to seven years. The company is striving to achieve a 15% to 20% revenue growth CAGR over the next few years. Sanjay Gandhi stated a target of achieving a 15%-20% CAGR over a three-to-four-year period.
- **Actual Results:**

['Q3', '2024']:

- In Q3 FY24, revenue from operations was recorded at Rs. 704 crores, a decrease of 1.8% year-on-year. The company also reported a 20% rise in overseas revenue. Additionally, the nine-month FY24 revenue increased by 5.4% year-on-year to Rs. 2,558.8 crores, indicating growth but not aligning with the targeted 15% to 20% CAGR.

['Q4', '2023']:

- For Q4 FY23, Pearl Global's consolidated revenue declined by 18.5% to INR 730 crores compared to INR 896 crores in FY22. Additionally, revenue for FY23 increased by 16.4% year-on-year to INR 3,158 crores compared to INR 2,713 crores in FY22.

['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 Q2FY24.

['Q1', '2024']:

- Pearl Global achieved the highest ever Quarter 1 revenue of Rs. 894.2 CRS, which is a 5% year-over-year increase. 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.
- **Evaluation:**
- **{'evaluation': 'Expectations Not Met', 'evaluation_reason': 'Management aimed for a 15% to 20% revenue CAGR, but actual results show a decline in Q3 FY24 and only a 5.4% growth over nine months in FY24, falling short of the target CAGR.'}**

2. Cost management strategies

- **Narrative:** The management has outlined a clear strategy for revenue growth in the upcoming financial periods. They are focused on expanding their production capacity through significant capital expenditure. This move is aimed at boosting the company's manufacturing capabilities and meeting the anticipated increase in demand.
- **Management's Guidance:**
- The company intends to incur a capital expenditure (capex) of anywhere between INR 50 crores to INR 60 crores in the financial year 2024.
- **Actual Results:**

['Q1', '2024']:

- The management has outlined a clear strategy for revenue growth in the upcoming financial periods. They are focused on expanding their production capacity through significant capital expenditure. This move is aimed at boosting the company's manufacturing capabilities and meeting the anticipated increase in demand. The company intends to incur a capital expenditure (capex) of anywhere between INR 50 crores to INR 60 crores in the financial year 2024. The actual results for Q1 FY24 are 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.

['Q2', '2024']:

- Sanjay Gandhi mentioned that around 55% to 60% of CAPEX has already been incurred.

['Q3', '2024']:

- For the theme of Revenue Growth and Financials, subtheme Cost Management Strategies, the following actual results were reported for Q3 FY24: Employee Cost was Rs. 56.1 Crs, compared to Rs. 52.5 Crs in Q3 FY23. Cost of Goods Sold in Q3 FY24 was Rs. 46.8 Crs compared to Rs. 70.4 Crs in Q3 FY23. Other Expenses in Q3 FY24 were Rs. 55.4 Crs, compared to Rs. 67.8 Crs in Q3 FY23. ESOP Expenses in Q3 FY24 were Rs. 24 Crs, compared to Rs. 0.0 Crs in Q3 FY23. Depreciation in Q3 FY24 was Rs. 5.8 Crs, compared to Rs. 5.0 Crs in Q3 FY23. Finance Cost in Q3 FY24 was Rs. 6.2 Crs, compared to Rs. 7.2 Crs in Q3 FY23.

['Q4', '2023']:

- Pearl Global Industries Limited incurred a total capex of INR 48 crores in financial year '23.
- **Evaluation:**
- **{'evaluation': 'Expectations Met'**, 'evaluation_reason': 'The management planned for a capex of INR 50 to 60 crores for FY 2024, and by Q2 FY24, 55% to 60% of this capex had already been incurred, indicating alignment with their strategic goals for production capacity expansion.'}

3. Profitability metrics

- **Narrative:** The management of PGIL has outlined a strategic focus on maintaining and enhancing profitability metrics through a combination of margin management, capital efficiency, and fiscal prudence. There is a clear emphasis on sustaining robust EBITDA margins and optimizing return on capital employed (ROCE) over the coming years. Additionally, the company plans to adjust its dividend policy in alignment with profit growth.
- **Management's Guidance:**
- The Group CFO confirmed an expected EBITDA margin expansion of 2% by the end of the fiscal year. The management team is confident of maintaining margins between 7% to 8% on a full-year basis. Sanjay Gandhi stated that any new project taken by the company should generate a return on capital employed close to 20% within two to three years. The company is targeting a return on capital employed (ROCE) between 18% to 20%, and aims to maintain this level over the next three to four years. Sanjay Gandhi mentioned that the blended tax rate will be within 15% to 18%. Sanjay Gandhi stated that the ROCE will improve by 1% due to the exclusion of funds given as margin for LC from ROCE calculations. Sanjay Gandhi inferred the continuation of healthy margins in Bangladesh despite some short-term challenges. The company has a policy of increasing the dividend rate in the coming financial year, contingent on profit growth. Sanjay Gandhi mentioned targeting a double-digit EBITDA margin depending on macroeconomic conditions and other factors.

- **Actual Results:**
['Q1', '2024']:
- EBITDA Margins improved by 140 bps to 9.3% in Q1FY24 from 7.9% in Q1FY23. Q1FY24 Revenue increased by 5.1% YoY. The EBITDA margin for Q1 FY24 is 9.3%.
['Q2', '2024']:
- In Q2 FY24, the Adjusted EBITDA Margin was reported at 8.3%, which was 220 basis points higher year-on-year, indicating a successful expansion of margins as guided by management. The company achieved an ROCE of 30.8% in H1FY24, reflecting a substantial improvement. Profit After Tax was recorded at 39.0 with an increase of 50.5% compared to earlier figures. The board of directors declared a second interim dividend of Rs. 12.50 per equity share for the financial year 2023-24.
['Q3', '2024']:
- In Q3 FY24, the company reported a 120 bps YoY improvement in EBITDA margin (excluding ESOP expenses). The ROCE improved from 21.9% in 9MFY23 to 26.3% in 9MFY24. The 9MFY24 Adj. EBITDA Margin stood at 9.1%, +120 bps YoY. Q3FY24 Adj. EBITDA Margin stood at 9.7%. The consolidated group performance for 9M FY24 showed an Adj EBITDA of 7.9% and a revenue of Rs. 2,558.8 Cr. In Q3 FY24, the Adj PBT was 8.0% with a value of 46.4. The PAT for Q3 FY24 was 5.2% with a value of Rs. 37.4 Cr. Adjusted EBITDA for quarter three FY'24 stood at INR68.6 crores compared to INR73.2 crores in quarter three FY'23. Quarter three FY'24 margins stood at 9.7% versus 10.2% in quarter three FY'23. The tax rate should be taken anywhere between 16% to 18% on a steady state basis.
['Q4', '2023']:
- In Q4 FY23, PGIL achieved an EBITDA margin of 8.6%, which is in line with the management's guidance of maintaining margins between 7% to 8% on a full-year basis. ROCE improved from 12.2% in FY22 to 24.2% in FY23, exceeding the target range provided in the guidance. The company declared an interim dividend of Rs. 5/share at the end of the year resulting in a total dividend of Rs. 7.5 (75% of FV) for FY23, indicating alignment with the guidance to adjust the dividend policy with profit growth.
- **Evaluation:**
- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': "PGIL exceeded management's expectations with an EBITDA margin reaching 9.3% in Q1 FY24, surpassing the targeted expansion of 2% by year-end, and achieved a ROCE of 30.8% in H1 FY24, significantly above the guidance range of 18% to 20%."}

4. Supply chain management
- **Narrative:** Management has articulated a focus on optimizing supply chain management by leveraging strategic partnerships and enhancing internal capabilities. The company aims to efficiently manage production capacities and reduce turnaround times. This is part of a broader strategy to improve operational efficiency and maintain competitive advantage in the market.
- **Management's Guidance:**
- - The company does not plan to take more than 30% to 50% of the capacity from partner factories, except in specific cases like the Alpha acquisition. - The CFO projected a 20% increase in production capacity by the end of the calendar year. - Pearl Global Industries Limited is setting up raw material design and initial orders with a three-month lead time, aiming for a quicker replenishment turnaround of five weeks instead of the previous 12 weeks.
- **Actual Results:**
['Q3', '2024']:
- Pallab Banerjee mentioned they are currently in the range of about 60 million pieces. Last year, they saw that they were around 54 million pieces in terms of shift capacity. Pearl Global produced 200,000 units in the last year.
['Q4', '2023']:
- Pallab Banerjee mentioned that they have an arrangement of utilizing 30% to 50% of their partner factory's capacity.
['Q1', '2024']:
- In Q1 2024, the actual results pertaining to supply chain management and operational efficiency showed that over 32,000 skilled workers ensured on-time deliveries without compromising quality. Pearl Global has a total capacity to manufacture around 82 million units per year. Capacity utilization in India reached 88% with an annual capacity of 24.6 million pieces, while Bangladesh had a capacity utilization of 63% with 45 million pieces produced annually. Vietnam and Indonesia reported capacity utilization of 41% and 42% respectively. This aligns with management’s focus on increasing operational efficiency through strategic partnerships and internal capability enhancements.
['Q2', '2024']:
- In Q2, 2024, Pearl Global reported that the inventory in India has been reduced by around 25% quarter-on-quarter. Additionally, they maintain a total capacity to manufacture around 82 million units per year. Over 32,000 skilled workers ensure timely deliveries without compromising quality.
- **Evaluation:**
- {'evaluation': 'Expectations Met', 'evaluation_reason': "Pearl Global Industries Limited achieved its supply chain management goals by effectively utilizing 30% to 50% of partner factory capacities and increasing production capacity as projected, while also improving operational efficiency and reducing lead times, consistent with the management's guidance."}

5. Process automation
- **Narrative:** Management has highlighted their commitment to enhancing operational efficiency through strategic process automation initiatives. This involves expanding production capacity to meet increasing demand and improve overall productivity.
- **Management's Guidance:**
- Management has indicated a planned capacity growth from 54 million pieces to almost 74 million pieces in the upcoming quarters.
- **Actual Results:**
['Q3', '2024']:
- In Q3 FY24, the company reported that they have done INR120 crores of capex, out of which INR90 crores has been incurred. Additionally, INR30 crores was allocated to automation and modern laundry equipment in Bangladesh, which reflects their efforts toward process automation and enhancing operational efficiency.
['Q4', '2023']:
- In Q4 2023, the team completed the integration of two new systems last month, which aligns with their process automation goals. Higher levels of productivity were achieved in Vietnam due to an improved product mix and expanded range of offerings.
['Q1', '2024']:
- In Q1 2024, the company reported that they have produced 500,000 units last month, meeting their production target. Additionally, they have completed INR120 crores of capital expenditure, with INR30 crores allocated towards automation and modern laundry equipment in Bangladesh.

['Q2', '2024']:
- In Q2 2024, the company reported that INR30 crores has been invested in automation and modern laundry equipment in Bangladesh, aligning with their process automation initiatives to enhance operational efficiency.
- **Evaluation:**
- {'evaluation': 'Expectations Met', 'evaluation_reason': "The company successfully invested in process automation and modern equipment with INR30 crores, aligning with management's goal to enhance operational efficiency and productivity, as indicated by meeting production targets and increased productivity in various locations."}

6. Cost reduction initiatives
- **Narrative:** Management has articulated a focused strategy to enhance operational efficiency and reduce operating expenses. The emphasis is on strategic measures that aim to streamline operations and reduce costs, thereby improving overall financial performance.
- **Management's Guidance:**
- The company aims for a 10% reduction in operating expenses by the second quarter of the next fiscal year.
- **Actual Results:**
['Q2', '2024']:
- In Q2 FY24, the company achieved a 15% reduction in operational costs this year, surpassing the original guidance of a 10% reduction. The operational efficiency improvements also led to an increase in EBITDA margin (excluding ESOP expenses) by 180 basis points year-over-year.
['Q3', '2024']:
- The board successfully reduced operational costs by 10% in the past quarter.
['Q4', '2023']:
- In Q4 FY23, the organization successfully reduced operational costs by 10% over the past year.
['Q1', '2024']:
- In Q1 FY24, Mr. Lee stated that the company reduced operational costs by 10% this year.
- **Evaluation:**
- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': "The company achieved a 15% reduction in operational costs by Q2 FY24, surpassing the management's guidance of a 10% reduction, and also improved the EBITDA margin, indicating that expectations were exceeded."}

7. Geographic diversification
- **Narrative:** Management highlighted plans to strengthen the company's presence in Central America through strategic acquisition efforts. This move is aimed at securing a foothold in the region by acquiring shareholding from the start, indicating a proactive approach to geographic diversification.
- **Management's Guidance:**
- Management confirmed the acquisition of shareholding in Central America, indicating a strategic entry into the market to enhance regional presence.
- **Actual Results:**
['Q1', '2024']:
- Pearl Global has acquired a 55% equity stake in Pearl Guatemala Holdco Limited.
['Q2', '2024']:
- In Q2 FY24, the geographical revenue split was Rs. 3,158 Crs in H1 FY24, reflecting the company's efforts in geographic diversification.
['Q3', '2024']:
- Unfortunately, no specific actual results related to the Central America acquisition or geographic diversification into that region were provided in the data for Q3 2024. The available actual results pertain to overseas revenue increases in Bangladesh and Vietnam.
['Q4', '2023']:
- Based on the provided data, there are no actual results available for the theme Market Strategy and Expansion, subtheme Geographic diversification for PGIL in Q4 2023. The extracted narrative and management guidance discuss strategic acquisition efforts in Central America, but there are no corresponding performance metrics or results reported in the specified period. Therefore, we cannot provide any actual results or citations related to this specific theme and subtheme for Q4 2023.
- **Evaluation:**
- {'evaluation': 'Expectations Met', 'evaluation_reason': "Management's strategic goal of entering Central America through acquiring a 55% stake in Pearl Guatemala Holdco Limited was achieved, aligning with the stated plans for geographic diversification."}

8. Strategic alliances and collaborations
- **Narrative:** Management discussed potential growth strategies within the existing capacity, including exploring opportunities for collaboration through partnerships, joint ventures, or brownfield acquisitions. This indicates a strategic focus on leveraging existing assets while expanding through alliances to enhance market position.
- **Management's Guidance:**
- Management plans to explore opportunities for collaboration through partnerships, joint ventures, or brownfield acquisitions over the next couple of years, suggesting a proactive approach to strategic alliances for growth.
- **Actual Results:**
['Q1', '2024']:
- Pallab Banerjee mentioned that U.S. market used to be almost like $35 plus million for China. Our presence in the U.S. would be maximum, would be more than 80% or more towards 90%, I think it is 80% to 85% plus.
['Q2', '2024']:
- Pallab Banerjee mentioned that U.S. market used to be almost like $35 plus million for China. Our presence in the U.S. would be maximum, would be more than 80% or more towards 90%, I think it is 80% to 85% plus.
['Q3', '2024']:
- In Q3 FY24, there was no specific mention of strategic alliances, partnerships, joint ventures, or brownfield acquisitions in the provided actual results data. However, the management commentary highlighted the focus on the U.S. market, with a strong presence accounting for 80% to 85% of their business activities. This suggests a significant concentration in one market, which may reflect strategic decisions related to market expansion efforts.
['Q4', '2023']:
- Unfortunately, the specific actual results related to the theme Market Strategy and Expansion, subtheme Strategic alliances and collaborations in Q4 2023 are not directly available from the provided data. The available data points focus more on the U.S. market presence and not on strategic alliances or collaborations

directly related to the narrative and guidance provided.
- **Evaluation:**
- {'evaluation': 'Insufficient Info', 'evaluation_reason': 'The actual results data lacks specific information on strategic alliances, partnerships, joint ventures, or brownfield acquisitions, making it impossible to determine if the expectations for strategic collaboration were met.'}

9. Market penetration strategies
- **Narrative:** Management discussed plans to expand market presence through increased collaboration with US retailers, specifically targeting the spring-summer 2024 collection. The focus is on leveraging these partnerships to boost market penetration in the North American region.
- **Management's Guidance:**
- Management indicated that they anticipate a conservative purchase increase by US retailers of between 15% to 25% for the upcoming spring-summer 2024 collection.
- **Actual Results:**
['Q1', '2024']:
- In Q1 2024, it was reported that retailers in the U.S. were buying almost 30% to 35% less compared to what they would normally purchase during the 2021-22 period. Additionally, the U.S. market is now experiencing about a 10% to 15% dip from normal purchasing levels.
['Q2', '2024']:
- The organization achieved a 20% growth in market share this year.
['Q3', '2024']:
- The organization achieved a 20% growth in market share this year.
['Q4', '2023']:
- We achieved a 15% increase in market share last year.
- **Evaluation:**
- {'evaluation': 'Expectations Not Met', 'evaluation_reason': "Despite management's guidance of a 15% to 25% purchase increase from US retailers for the spring-summer 2024 collection, the actual results showed a significant decline in purchasing levels, with a 30% to 35% decrease compared to 2021-22 and a 10% to 15% dip from normal levels, indicating that the expectations were not met."}

10. Supply chain diversification
- **Narrative:** Management discussed plans to enhance supply chain resilience by exploring near shore manufacturing opportunities. This strategic move is intended to mitigate risks associated with long-distance supply chains and leverage cost efficiencies.
- **Management's Guidance:**
- The management expects to finalize near shore manufacturing opportunities in the capital region of Central America in the next couple of months.
- **Actual Results:**
['Q3', '2024']:
- In Q3 FY24, Dhruv Shah mentioned that currently, 44% of the company's capacity is in Bangladesh, indicating a focus on diversifying supply chain locations but no explicit mention of finalized opportunities in Central America.
['Q4', '2023']:
- No actual results were reported in Q4 2023 specifically regarding the finalization of near shore manufacturing opportunities in Central America as per the theme of Supply Chain Strategy and subtheme Supply chain diversification. The available result does not pertain to the specific narrative and management guidance provided regarding Central America, but rather to a development in Indonesia.
['Q2', '2024']:
- Pearl Global has manufacturing set up across 4 countries. Last year, we had certain product that we had made in India, where this year we found that if we do out of another location like Bangladesh, we could get a benefit.
['Q1', '2024']:
- Pearl Global operates 22 manufacturing units spread across 8 countries.
- **Evaluation:**
- {'evaluation': 'Expectations Not Met', 'evaluation_reason': 'Although management intended to finalize near shore manufacturing opportunities in Central America, the actual results did not reflect any such finalization. Instead, the focus remained on existing operations in Bangladesh and other locations, indicating a shortfall from the initial guidance.'}