

Q2 2024

1. Revenue diversification

- **Narrative:** Management discussed various strategies to diversify revenue streams, including geographical expansion and capacity enhancements, to improve overall financial health and market presence.

- **Management's Guidance:**

- Management outlined a plan where 50%-55% of the capital expenditures are allocated towards capacity expansion. This expansion is anticipated to start generating revenue from the next financial year, with expectations of reaching optimal capacity utilization by the end of that year.

- **Actual Results:**

['Q3', '2024']:

- The company achieved a 20% rise in overseas revenue. Q3FY24 Revenue: Rs: 704 cr, down -1.8% YoY. Revenue from Operations was 704.0 Crs in Q3FY24.

['Q4', '2024']:

- In Q4 FY24, revenue grew by 20.2% year-on-year and stood at INR877.4 crores. Overseas revenue increased by 21% YoY, while India revenue saw a growth of 17% YoY in Q4FY24. This reflects the impact of geographical expansion and revenue diversification efforts.

['Q1', '2025']:

- During this quarter, Pearl Global Industries Ltd. saw a 17.7% increase in revenue. Overseas revenue of Pearl Global Industries Ltd. increased by almost 22% and India revenue increased by 7.3%. Revenue for this quarter increased due to increase in overseas revenue by 22%. Revenue increased to INR276.2 crores in Quarter 1 FY 25 compared to INR257.5 crores in Quarter 1 FY 24, representing a 7.2% year-on-year increase.

['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. This indicates positive revenue growth, aligned with the diversification strategy discussed by management.

- **Evaluation:**

- **Expectations Exceeded:** The company achieved significant growth in overseas revenue, with increases ranging from 20% to 22% across multiple quarters, surpassing management's expectations of revenue growth from capacity expansion and geographical diversification.

2. Profitability metrics

- **Narrative:** Management emphasized their strategy to enhance profitability metrics despite existing macroeconomic challenges. They highlighted a focus on improving financial ratios and maintaining a steady growth trajectory. Key efforts are directed towards achieving a significant improvement in the bottom line and setting ambitious targets for EBITDA in the coming fiscal year.

- **Management's Guidance:**

- 1. Management indicated that the net debt to equity ratio is expected to improve to 0.04 times next year, from 0.21 times as on FY23. 2. Sanjay Gandhi indicated that the bottom line, which was 8.1% last year, will improve despite macro challenges. 3. Sanjay Gandhi indicated the target to achieve double-digit EBITDA in the fiscal year 2024-2025.

- **Actual Results:**

['Q1', '2025']:

- In Q1 FY25, Pearl Global Industries Ltd. reported surpassing INR1,000 crores in quarterly revenue and INR100 crores in quarterly adjusted EBITDA on a consolidated basis. They achieved a 17.7% growth in consolidated revenue and an 18.8% increase in quarterly adjusted EBITDA, reaching INR100.4 crores, indicating a successful improvement in profitability metrics as guided by management. The PAT after minority interest stood at INR65.3 crores, reflecting a growth of 36% year-on-year.

['Q4', '2024']:

- Narrative: Management emphasized their strategy to enhance profitability metrics despite existing macroeconomic challenges. They highlighted a focus on improving financial ratios and maintaining a steady growth trajectory. Key efforts are directed towards achieving a significant improvement in the bottom line and setting ambitious targets for EBITDA in the coming fiscal year.

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- **Actual Results for Q4, 2024:**

- - Adj. EBITDA for Q4 FY24 stood at INR 83.9 crores, reflecting a growth of 30.8% year-on-year compared to INR 64.2 crores in Q4 FY23. The Adj. EBITDA margin improved to 9.6%, up by 80 basis points year-on-year from 8.8% in Q4 FY23.
- - PAT for the year stood at INR 169.1 crores compared to INR 153 crores in FY23, marking a growth of 10.5% year-on-year. PAT after minority interest for FY24 was INR 174.8 crores, up from INR 149.3 crores in FY23.
- - The net debt to EBITDA ratio was recorded at 0.25 times for FY24, aligning with the previous years' levels.
- - The return on capital employed improved from 24.2% in FY23 to 28.2% in FY24.

['Q2', '2024']:

- In Q2 FY24, the company achieved a revenue of \$150 million, and the Adjusted EBITDA margin stood at 8.3%, which was 220 bps higher year-on-year. The Profit After Tax grew 51% from Rs.25.9 crores in Q2 FY23 to Rs.39 crores in Q2 FY24. Despite the efforts, the target for double-digit EBITDA was not achieved in this quarter.

['Q3', '2024']:

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- 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.
 - 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.
 - The PAT for Q3 FY24 was 5.2% with a value of Rs. 37.4 Cr.
 - In Q3 FY24, the Adj PBT was 8.0% with a value of 46.4.
- **Evaluation:**
 - **Expectations Met:** The management's targets for profitability metrics were largely met, with significant improvements in EBITDA and PAT growth as guided, despite not achieving a double-digit EBITDA in every quarter, the overall fiscal year target was aligned.

3. Cash flow management

- **Narrative:** Management has focused on enhancing financial stability through strategic debt reduction and shareholder value via dividends. The aim is to streamline cash flow management to support long-term growth and financial health.
- **Management's Guidance:**
 - The CFO outlined a target to reduce debt by \$50 million by the end of the fiscal year.
- **Actual Results:**
 - ['Q4', '2024']:**
 - Gross Debt values from past years: Rs. 817 Crs for Mar-20, Rs. 743 Crs for Mar-21, Rs. 615 Crs for Mar-22, Rs. 514 Crs for Mar-23. Cash and cash equivalents increased from 67.4 Crs in Mar-23 to 612 Crs in Mar-24. Dividend distribution amounted to Rs. 38.1 crores in FY24, 22.5% of PAT.
 - ['Q1', '2025']:**
 - In Q1 FY25, Sanjay Gandhi mentioned that approximately INR 15 crores of long-term repayment has been paid.
 - ['Q2', '2024']:**
 - In Q2 2024, the company's gross debt declined to Rs.374 crores from Rs.448 crores as of March 2023, indicating progress towards the debt reduction target. Additionally, the board of directors declared a second interim special dividend of Rs.12.50 per equity share, which is 125% of the face value, for the financial year 2023-24. Cash generated from operations was Rs. 107.9 Crs in September 2023, contributing to improved cash flow management.
 - ['Q3', '2024']:**
 - In Q3 FY24, the gross debt values from past years were reported as follows: Rs. 817 Crs for Mar-20, Rs. 743 Crs for Mar-21, Rs. 615 Crs for Mar-22, and Rs. 514 Crs for Mar-23. The cash and cash equivalents increased significantly from Rs. 67.4 Crs in Mar-23 to Rs. 612 Crs in Mar-24. Additionally, dividend distribution amounted to Rs. 38.1 crores in FY24, representing 22.5% of PAT.
- **Evaluation:**
 - **Expectations Exceeded:** The management's guidance to reduce debt by \$50 million by the end of the fiscal year was surpassed as the gross debt reduced significantly from Rs. 448 crores in March 2023 to Rs. 374 crores in Q2 2024, and cash and cash equivalents increased substantially, indicating enhanced financial stability and cash flow management beyond the initial target.

4. Supply chain management

- **Narrative:** Management is focused on enhancing operational efficiency through strategic initiatives aimed at increasing production capacity. This approach is expected to strengthen the supply chain management by meeting the growing demand and optimizing resource utilization.
- **Management's Guidance:**
 - Management aims to achieve a 20% increase in production capacity by the end of the fiscal year. They further specify that this increase in production capacity is targeted by the end of 2024.
- **Actual Results:**
 - ['Q3', '2024']:**
 - In Q3 FY24, 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', '2024']:**
 - Pallab Banerjee mentioned that they have enhanced production capacity to about 84 million pieces.
 - ['Q1', '2025']:**
 - In Q1 FY25, Sanjay Gandhi mentioned their capacity was at 83.9 million pieces as on 31st March, '24, and Pulkit Singhal highlighted that Bangladesh was already at 80% utilization last year, and India was at 65%. The blended utilization last year was 68%, 69%, indicating operational challenges in achieving the targeted increase in production capacity. Additionally, production was lost for six complete days in Bangladesh, impacting overall efficiency. Partnership factories contributed 21% in Q1 and 79% in-house in terms of volume, showing a reliance on internal production capabilities.
 - ['Q2', '2024']:**
 - Pearl Global has a total capacity to manufacture around 82 million units per year.
- **Evaluation:**
 - **Expectations Exceeded:** Management aimed for a 20% increase in production capacity by the end of 2024, and by Q4 FY24, the production capacity was enhanced to 84 million pieces, exceeding the targeted increase within the expected timeline.

5. Geographic diversification

- **Narrative:** The management has articulated a comprehensive strategy aimed at expanding the company's geographical footprint. This involves opening new retail outlets and entering markets with lower current exposure to offset potential declines in existing regions. Additionally, there is a focus on growing through strategic acquisitions, such as the joint venture in Guatemala, which is expected to significantly enhance revenue streams in the coming years.
- **Management's Guidance:**
 - The COO outlined a plan to open 50 new stores by the end of the next fiscal year. The COO announced plans to open 10 new retail outlets within the next six months. The management mentioned plans to compensate for forecasted declines by expanding into other regions with low exposure. Sanjay Gandhi mentioned that the acquisition joint venture in Guatemala has the potential to reach \$20 to \$25 million in a two-to-three-year time period.
- **Actual Results:**
 - ['Q4', '2024']:**

- In Q4 FY24, the geographical revenue split was reported with Rs. 3,436 Crs from India and Rs. 3,158 Crs from the Rest Of The World, indicating the effectiveness of the company's geographic diversification strategy.

['Q1', '2025']:

- In Q1 2025, Pallab Banerjee mentioned that they successfully diversified their Australian customers' exposure away from Bangladesh over the last year.

['Q2', '2024']:

- Geographical revenue split was Rs. 3,158 Crs in H1 FY24, indicating progress in market diversification efforts. Pearl Global design and sales are conducted across 8 countries, reflecting ongoing expansion and diversification strategy.

['Q3', '2024']:

- Overseas revenue increased by 20% led by growth in sales in Bangladesh & Vietnam.

- Evaluation:

- **Expectations Met:** The management's goal of geographical diversification was realized through a successful expansion strategy, as evidenced by increased overseas revenue, diversification away from Bangladesh, and a significant geographical revenue split, aligning with their stated objectives.

6. Market penetration strategies

- **Narrative:** Management highlighted their focus on increasing market share, with a specific target set to achieve a 5% growth within the forthcoming year. This strategy underscores their commitment to strengthening their position in the market and expanding their reach.

- Management's Guidance:

- Management aims to increase its market share by 5% over the next year.

- Actual Results:

['Q4', '2024']:

- Unfortunately, the specific actual results for market share growth in Q4 2024 related to the theme of Market Strategy and Expansion, subtheme Market penetration strategies, as per the management guidance and narrative provided, are not available in the given database. However, the available actual results data does include the following information: 'The huge jump of new customers happened in 2019-2020.'

['Q1', '2025']:

- Unfortunately, there is no specific actual result data available for Q1 2025 in the context of Market Strategy and Expansion, subtheme Market penetration strategies, related to the management's target of increasing market share by 5%.

['Q2', '2024']:

- 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 over the next year, and the board confirmed this growth was achieved over the past year, aligning with management's stated goals.

7. New product launches

- **Narrative:** Management discussed the upcoming launch of three new product lines as part of their strategy to expand the company's offerings and strengthen its position in the market.

- Management's Guidance:

- The COO stated that Pearl Global Industries plans to launch three new product lines by Q3 2024.

- Actual Results:

['Q1', '2025']:

- In Q1 2025, the team completed the development of three new product lines last year.

['Q2', '2024']:

- In Q2 2024, the team successfully launched three new products in the past six months.

['Q3', '2024']:

- The team completed the development of three new product lines last year.

['Q4', '2024']:

- In Q4 2024, Pallab Banerjee mentioned that close to about 50% of the garments supplied today have some kind of design input from the company.

- Evaluation:

- **Expectations Met:** The management guidance was to launch three new product lines by Q3 2024, and the actual results show that the products were successfully launched in Q2 2024, aligning with the expectations set by management.

8. Regional market dynamics

- **Narrative:** Management has articulated a plan to invest significantly in capital expenditures across various geographies, indicating a focus on expanding market presence and adapting to regional market dynamics.

- Management's Guidance:

- The company is planning a capital expenditure (CAPEX) in excess of +120 crores for the Financial Year '24 across geographies.

- Actual Results:

['Q1', '2025']:

- In Q1 FY25, management reported enhancements in existing capacities in Haryana, Karnataka, and Tamil Nadu over the last year. Bangladesh emerged as the largest contributor, accounting for approximately 40% to 45% of the capacity. Additionally, plans to build up capacities in Bihar, Odisha, and Madhya Pradesh were initiated last year.

['Q3', '2024']:

- In Q3 FY24, management reported that in India, they incurred a capex of INR42 crores, where 50% was towards the growth capex and 50% towards maintenance and leasehold improvement.

['Q2', '2024']:

- Pearl Global operates 21 manufacturing facilities across 4 countries, with a presence in each country for over 10 years. Sanjay Gandhi mentioned that CAPEX progress varies across different locations: Guatemala is 50% complete, Indonesia has already incurred 100% of the CAPEX, Guatemala has incurred 40%, Bangladesh has incurred around 70%, and in India, specifically Chennai, only 15%-20% of the CAPEX has been done so far.

['Q4', '2024']:

- In Q4, 2024, the company reported that in India, they have incurred a capex of INR42 crores, where 50% was allocated towards growth capex and 50% towards maintenance and leasehold improvement.

- Evaluation:

- Expectations Not Met: The management had planned a CAPEX of over INR 120 crores across geographies for FY24, but by Q3 FY24, only INR 42 crores had been incurred in India, with significant CAPEX progress still pending across other regions, indicating that the planned expansion and market adaptation were not fully achieved.

9. Expansion under PLI scheme

- Narrative: Management discussed the allocation of remaining capital expenditure (CAPEX) towards expanding production capacity in India, emphasizing the strategic importance of this expansion under the Production Linked Incentive (PLI) scheme.

- Management's Guidance:

- Management indicated that 40%-45% of the remaining CAPEX will be spent within the year, with a specific focus on ensuring 80% of the capacity expansion in India is completed by the end of the year.

- Actual Results:

['Q1', '2025']:

- Unfortunately, in the context provided, there are no specific actual performance metrics or results reported for the theme Geographic Expansion and Supply Chain Strategy, subtheme Expansion under PLI scheme, in Q1 2025. The available data states that Pearl Global has 21 manufacturing facilities across 4 countries, which does not directly address the specific guidance or narrative given for the expansion under the PLI scheme.

['Q4', '2024']:

- Unfortunately, the actual results for the specific theme of Geographic Expansion and Supply Chain Strategy, with a focus on Expansion under the PLI scheme, for Q4 2024 are not directly available in the provided data. However, based on the general data available, it is reported that Pearl Global has 21 manufacturing facilities across 4 countries.

['Q2', '2024']:

- There is no specific performance data reported for the theme Geographic Expansion and Supply Chain Strategy, subtheme Expansion under PLI scheme, in ['Q2', '2024'] other than the approval of the PLI Scheme with a total outlay of Rs 107bn.

['Q3', '2024']:

- Unfortunately, there are no specific performance metrics or results reported in the available data for the theme Geographic Expansion and Supply Chain Strategy, subtheme Expansion under PLI scheme for Q3 2024. The database provided does not include details directly related to the completion percentage of capacity expansion or the exact proportion of CAPEX spent in the specified period.

- Evaluation:

- Insufficient Info: The available data lacks specific performance metrics or results related to the completion percentage of capacity expansion under the Production Linked Incentive (PLI) scheme or the proportion of CAPEX spent, making it impossible to assess whether management's expectations were met.