



PEARL GLOBAL INDUSTRIES LIMITED

**Q1 FY16
RESULTS UPDATE**
August 2015

Private & Confidential

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DISCUSSION SUMMARY

- **Q1FY16 Results Highlights**
- **Business Outlook & Summary**
- **About Us**
- **Key Sustainable Advantages**
- **Future Growth Opportunity – E-Retail Initiative “SBUYS”**



GLOBAL SOLUTION PARTNER TO THE WORLD'S APPAREL INDUSTRY

Presence in UK / USA, through which we provide better market intelligence and higher service levels at retailer's door step.

NEW YORK

Excellent infrastructure for sampling and product design. Exclusive facilities with over 8500 dedicated machines. 75 experienced designers working across India, HK and Indonesia.

UNITED KINGDOM

DELHI

DHAKA

HONKONG

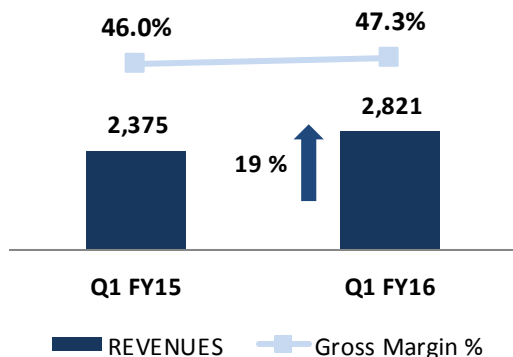
JAKARTA

BANGALORE CHENNAI

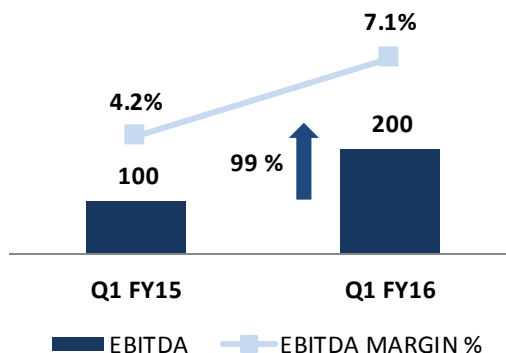
INDIA	BANGLADESH	INDONESIA
High fashion and value added products at quick turn around with competitive prices	Basic and Fashion basic products at compelling prices from our 100% owned facilities	Clean, career products at competitive prices with advantageous lead times

Q1 FY16 RESULTS HIGHLIGHTS

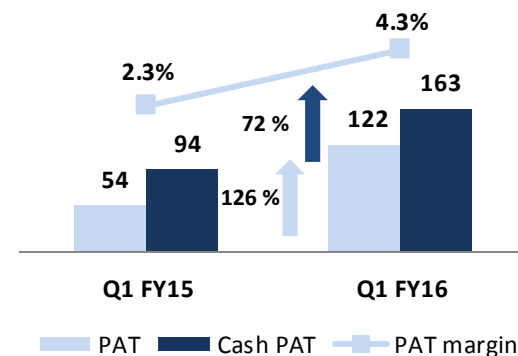
REVENUES



EBITDA & EBITDA MARGIN %



PAT & PAT MARGIN %



- Q1 FY16 Revenues grew by 18.8% YoY driven by higher capacity utilization (Q1 FY16: 70% vs. Q1 FY15: 63%) and higher realizations on the back of robust demand. Gross margins improved by 126 bps YoY to 47.3% driven by higher realisations.
- Q1 FY16 EBITDA grew by 99.1% YoY in line with the growth in revenues.. EBITDA Margins improved by 286 bps YoY to 7.1% driven by positive operating leverage as a result of higher capacity utilisation while maintaining steady operating expenses..
- Q1 FY16 PAT increased 126.2% YoY majorly driven by improved operating performance and also due to lower finance costs and taxes.. PAT Margin increased 205 bps YoY to 4.3%.
- The company has delivered a strong operating performance during the first quarter posting healthy top-line growth coupled with significant improvement in profitability. The company is witnessing an improved visibility on the business front on the back of robust order book and expects to sustain growth along with improved margins over coming quarters.

Q1 FY16 – CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars in Rs Mn	Q1 FY16	Q1 FY15	YOY %	Q4 FY15	QOQ%	FY15
Total Sales	2,820.8	2,374.9	18.8%	3,339.9	-15.5%	10,237.4
Cost of Goods Sold	1,487.7	1,282.5	16.0%	1,824.2	-18.4%	5,363.9
Gross Profit	1,333.1	1,092.4	22.0%	1,515.7	-12.0%	4,873.5
<i>Gross Margin %</i>	<i>47.3%</i>	<i>46.0%</i>	<i>126 bps</i>	<i>45.4%</i>	<i>188 bps</i>	<i>47.6%</i>
Employee Expenses	473.6	380.3	24.5%	451.3	4.9%	1,661.3
Other Expenses	659.6	611.6	7.8%	862.0	-23.5%	2,715.7
EBITDA	199.9	100.4	99.1%	202.4	-1.2%	496.5
<i>EBITDA Margin %</i>	<i>7.1%</i>	<i>4.2%</i>	<i>286 bps</i>	<i>6.1%</i>	<i>103 bps</i>	<i>4.8%</i>
Depreciation	41.0	40.6	0.9%	35.8	14.5%	158.5
Other Income	48.6	55.7	-12.7%	76.8	-36.6%	240.5
Exceptional items	-1.2	0.7	-267.0%	-2.3	-45.8%	-1.4
Profits Before Interest and Taxes	206.3	116.2	77.5%	241.1	-14.4%	577.1
Interest Expense	56.1	63.5	-11.6%	63.9	-12.2%	234.9
Profits Before Taxes	150.2	52.8	184.7%	177.2	-15.2%	342.1
Taxes	33.8	-1.0	3,490.4%	73.9	-54.3%	99.0
<i>Tax rate</i>	<i>22.5%</i>	<i>-1.9%</i>	<i>2,437 bps</i>	<i>41.7%</i>	<i>-1,922 bps</i>	<i>28.9%</i>
Profits After Tax Before Minority Interest	116.4	53.7	116.6%	103.3	12.7%	243.1
Minority Interest	5.4	0.1	5,424.7%	7.4	-27.4%	7.6
Profits After Tax	121.8	53.8	126.2%	110.7	10.0%	250.7
<i>PAT Margin %</i>	<i>4.3%</i>	<i>2.3%</i>	<i>205 bps</i>	<i>3.3%</i>	<i>100 bps</i>	<i>2.4%</i>
EPS (Rs)	5.62	2.49	125.7%	5.11	10.0%	11.57

BUSINESS OUTLOOK

Preferred Vendor to Global Brands & Retailers

- Multi-product offerings, multi-location diversified & vertically integrated manufacturing base, strong design capabilities and strong quality compliance systems.

Asset Light & Scalable Business Model

- High operational flexibility & scalability as the manufacturing operations can be quickly scaled up / down in response to changing apparel demand scenario.
- Optimal capacity utilisation can generate high ROCE.

Focus on Improvement in Capacity Utilisation

- Capacity Rationalisation through diversification into new geographies:
- Focus on diversifying into other geographies like Australia, UK, Germany, Canada, Mexico, Chile, South Africa.

Capacity Expansion Plan

- Expansion plan to add capacities in Chennai and Bangalore over FY16-17.
- Diversify business risk and capitalise on improving global apparel demand.

Future Growth Opportunity E-Retail Initiative "SBUYS"

- Forward integration into online fashion apparel retailing under the brand "SBUYS".
- Leverage strong knowledge of fashion apparels and offer latest trends and designs across womenswear and kidswear segments.

ABOUT US: COMPANY OVERVIEW

Business Overview

- The erstwhile business of Pearl Global consisted of manufacturing, trading, marketing & distribution and exports of readymade garments.
- The Company decided to segregate its global marketing, sourcing & distribution business from its garment manufacturing business. The Scheme of Demerger of M/s PDS Multinational Fashions Limited from M/s PGIL was approved by Hon'ble High Court at Delhi on May 13, 2014.
- The existent company is purely engaged in manufacturing and exports of readymade garments.

Multi-Location Multi-Product Capabilities

- Well-diversified and de-risked manufacturing base across India, Indonesia and Bangladesh.
- Capacity of around 5 million garments per month (including own and outsourced facilities).
- Broad product range - knits, woven and bottoms (basic and complex designs) across men, women and kids wear segments.

Strong Global Clientele

- Single preferred vendor meeting various product requirements of its customers. This further enables it to expand its business from existing customers.
- Global Clientele - 21 retailers with major thrust in USA and Europe, e.g. GAP, Banana Republic, Kohl's, Macy, Ralph Lauren, Tom Tailor, Next, to name a few.

SBUYS New E-Retail Initiative

- Forward integration into online fashion apparel retailing under the brand "SBUYS".
- Offer in-house online retail portal "SBUYS.IN".
- Leverage leading online retail platforms like Flipkart, Snapdeal, Jabong, Myntra, Fashion and You, Hopscotch, Amazon etc.

ABOUT US: SHAREHOLDING STRUCTURE

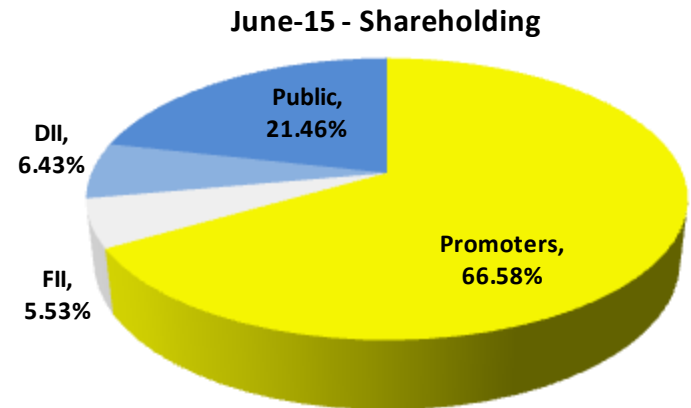
Shareholding %	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14
Promoters	66.58%	66.58%	66.58%	66.58%	66.58%
FII	5.53%	6.73%	5.42%	4.32%	3.51%
DII	6.43%	6.48%	6.60%	6.63%	6.63%
Public	21.46%	20.21%	21.40%	22.47%	23.28%
Total No. of Shares (mn)	21.66	21.66	21.66	21.66	21.66

Source - BSE

Key Institutional Investors at June-15	% Holding
Premier Investment Fund	4.94%
Reliance Capital	3.95%
Lesing Mauritius Ltd	1.50%
GIC of India	1.18%
Cresta Fund Ltd	1.18%
LIC of India	1.05%

Source - Bloomberg

Market Data	As on 12.08.15 (BSE)
Market capitalization (Rs Mn)	5,048
Price (Rs.)	233.0
No. of shares outstanding (Mn)	21.66
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	166.0 – 282.0



Source - BSE

KEY SUSTAINABLE ADVANTAGE: MULTI-COUNTRY MANUFACTURING PRESENCE

Global Manufacturing Facilities & Capabilities



INDIA

- Core centre for cotton fabrics.
- Specialization in handmade wovens & knitwears.
- Strong industry backward linkages.
- Easy availability of low cost labour, abundant raw material supply and stable political scenario .



BANGLADESH

- Core centre for knitwears.
- Large and highly skilled apparel workforce.
- Most competitive cost structure.
- Strong industry backward linkages.
- Excellent quality stitching and garment washing capabilities.



INDONESIA

- Core for cotton & synthetic fabrics.
- Highly skilled craftsmanship.
- Faster lead time than Bangladesh.
- Strong industry backward linkages.
- Low labour costs, stable political scenario, raw material availability, strict labour regulations.

RECENT STRATEGIC MANOEUVRES TO ENABLE PEARL GLOBAL TO BUILD A MORE EFFECTIVE SUPPLY CHAIN FOR ITS CLIENTS

- Pearl Global's new Bangladesh factory was set up recently with in-house knitting. The company shipped 5 million pieces in second year of operation and will ship 6 million pcs in 2015.
- Pearl has entered into strategic commitments with best dyeing mills in Bangladesh for dedicated capacities.
- Pearl India formed a strategic partnership with large North India mill for cotton and rayon fabrics. We have committed to 1.0 milli on yards per month.

KEY SUSTAINABLE ADVANTAGE: VERTICALLY INTEGRATED MANUFACTURING

VERTICALLY INTEGRATED MANUFACTURING CAPACITY

Location	Products	Factories	Machines	Total Capacity Mn Pieces/ Month
North India	Woven Soft Sep	2	1,800	0.65
Indonesia	Woven Soft Sep	2	1,100	0.35
South India	Woven Soft Sep	4	1,100	0.25
Bangladesh	Woven Soft Sep	1	400	0.20
Total Woven Soft Separates		9	4,400	1.45
North India	Knits	1	1,100	0.60
Bangladesh	Knits	2	1,000	1.00
Total Knits		3	2,100	1.60
Bangladesh	Woven Bottoms	1	1,000	0.30
Bangladesh	Woven Bottoms	1	1,000	0.30
Total Woven Bottoms		2	2,000	0.60
Grand Total		14	8,500	3.65

EFFECTIVE SUPPLY CHAIN MANAGEMENT

- Strategic tie-ups with dyeing mills in Bangladesh.
- Strategic tie-ups with rayon and cotton fabric mills (1.0mn yards/month) in North India.

HIGH QUALITY PROCESSING INFRASTRUCTURE

- In-house hand-work setup in North India.
- One of the largest in-house embroidery capacity with 500 installed heads in North India and another 100 installed heads in Bangladesh.
- In-house washing capacity 50,000 pcs/day in North India & 35,000 pcs/day in Bangladesh.
- Garment dyeing facility with a capacity of 10,000 pcs/day in Bangladesh.

**All facilities are fully compliant with local health, safety & labour regulations.
All facilities are approved by top retailer customers.**

KEY SUSTAINABLE ADVANTAGE: MULTI-PRODUCT OFFERINGS

MULTI-LOCATION PRESENCE PROVIDES AN COMPETITIVE EDGE TO MEET THE COMPLEX & DIVERSE PRODUCT DESIGN REQUIREMENTS OF THE LEADING GLOBAL RETAILERS

Pearl Global's Diverse Presence and Product Specialisations

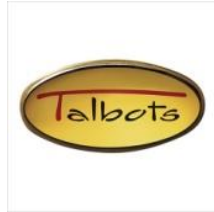
Region	Product Offering Specialization
India - Rajasthan (Access through third parties)	Handblock printing, hand embroidery, bead work
India - NCR, Delhi	High fashion cotton knitwear & wovens
India - Bangalore & Chennai	Basic & fashion wovens & knitwear
Bangladesh	Knitwears, basic shirts, jackets, bottom weights
Indonesia	High fashion polyester knitwear & wovens

**Garment
manufacturing
skills
are highly
region specific**

Pearl Global's value addition offerings:

- Machine and handmade embroidery, hand work, bead work, tie & dye designs, printing, garment washing, garment dyeing etc.

KEY SUSTAINABLE ADVANTAGE: APPROVED VENDOR TO GLOBAL BRANDS



ANN TAYLOR

NORDSTROM



BANANA REPUBLIC



GANT

Bershka



celio*

Target Australia

KEY SUSTAINABLE ADVANTAGE: STRONG DESIGN CAPABILITIES

STRONG EMPHASIS ON IN-HOUSE DESIGN & PRODUCT DEVELOPMENT

- Dedicated in-house design team of 75 designers located in Hong Kong, India and Indonesia.
- The design teams continually shop markets all over the world and visit all the globally renowned fashion and textile fairs to collect design ideas.
- The design teams are well-equipped to serve the global brands from concept boards to customers.
- New design ideas from marketing people, closer to buyers, which are located in Hong Kong, London, USA and Germany.
- Focus has been on creating brand specific product designs to generate and accelerate business opportunities for the global brands and retailers.



KEY SUSTAINABLE ADVANTAGE: STRONG QUALITY CHECK & SYSTEMS

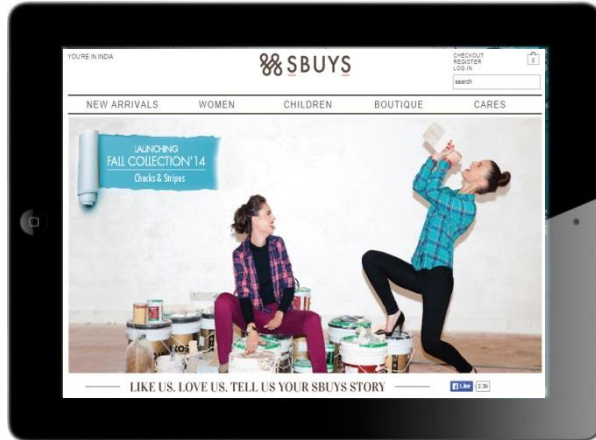
COMMITMENT TO LEAN PROCESSES, HIGH PRODUCTIVITY AND QUALITY COMPLIANCE

- All manufacturing units are using SAP, an integrated ERP software system, to run day to day operations and monitor key performance indicators.
- System integration has created important checks and balances, resulting in accurate material ordering and complete analysis of customer and seasonal requirements.
- One of the lowest rejection ratio of 2% – 3%.
- 3rd party certifications from leading global inspection and quality check companies like Intertek, SGS and Bureau Veritas.
- Regular quality check inspections from customers.
- Fully compliant with all regulations and quality assurance standards like ISO, 5S and Citipac.



FUTURE GROWTH OPPORTUNITY – E-RETAIL INITIATIVE “SBUYS”

**Pearl Global
has forward integrated into
online fashion apparel retailing
under the brand “SBUYS”**



PEARL GLOBAL – E-RETAIL STRATEGY

Business Growth Opportunity

- Forward integration into online fashion apparel retailing under the brand “SBUYS”.
- Online retailing is a high-growth space and offers strong potential to build a business model with healthy margin profile.

Business Rationale

- Leverage its strong knowledge & understanding of fashion apparels –
 - Multi-location presence & multi-product expertise.
 - In-house design team.
 - Strong global apparel brand relationships.
 - Early insights into latest global apparel trends and designs across womenswear and kidswear segments.
- Offer international fashion clothing to Indian consumers at best possible prices.

Business Strategy

- Offer in-house online retail portal “SBUYS.IN”.
- Leverage Tie-Ups with leading online retail platforms like Flipkart, Snapdeal, Jabong, Myntra, Fashion and You, Hopscotch, Amazon etc.

ANNEXURE

FY15 – CONSOLIDATED BALANCE SHEET STATEMENT

The consolidated results are not comparable as the previous period numbers are not restated to reflect the demerger of company's SDM business.

Particulars in Rs Mn	FY15
Non-current assets:	
Fixed assets	2,076.2
Goodwill on consolidation	83.2
Non-current investments	0.5
Long-term loans and advances	431.8
Other non-current assets	36.2
Trade Receivables	15.5
Deferred Tax Assets	27.3
Total non-current assets	511.3
Current assets:	
Inventories	1,747.7
Trade receivables	1,193.2
Current Investments	111.8
Cash and bank balances	944.0
Short-term loans and advances	389.2
Other Current Assets	285.8
Total Current Assets	4,671.7
Total Assets	7,342.5

Particulars in Rs Mn	FY15
Share Holders' Funds:	
Equity share capital	216.6
Reserves and Surplus	2,957.6
Total of Shareholder funds	3,174.3
Minority interest	98.4
Non-current liabilities:	
Long term Borrowings	138.9
Deferred tax liabilities (Net)	-
Long Term Provisions	46.8
Other Long-term Liabilities	413.3
Total of Non-current liabilities	599.0
Current liabilities:	
Short-term borrowings	1,459.9
Trade payables	1,658.2
Other current liabilities	292.1
Short-term provisions	60.6
Total of Current liabilities	3,470.8
Total Equity & Liabilities	7,342.5

FOR ANY FURTHER QUERIES PLEASE CONTACT -

THANK YOU



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