PearlGlobal

PGIL/SE/2016-17/08

Date: May 30, 2016

THE GENERAL MANAGER,
DEPARTMENT OF CORPORATE SERVICES - CRD
BSE LIMITED
1ST FLOOR, NEW TRADING RING
ROTUNDA BUILDING, P. J. TOWERS
DALAL STREET, FORT,
MUMBAI – 400 001

THE GENERAL MANAGER,
LISTING DEPARTMENT
NATIONAL STOCK EXCHANGE OF INDIA LTD.
"EXCHANGE PLAZA", PLOT NO. C- 1,
G- BLOCK,
BANDRA - KURLA COMPLEX,
BANDRA (E),
MUMBAI - 400 051

Reg: Scrip Code: BSE-532808; NSE - PGIL;

SUB: Investor Presentation for quarter and year ended 31.03.2016

Dear Sir/Madam,

Please find attached herewith financial update for the quarter and year ended 31st March, 2016 for investors of the Company.

You are requested to please update the same and obliged.

Thanking you,

Yours faithfully,
for **Pearl Global Industries Limited**

(Sandeep Sabharwal)
Company Secretary

Encl: As above



PEARL GLOBAL INDUSTRIES LIMITED

Q4 & FY16
RESULTS UPDATE
May 2016

Private & Confidential

SAFE HARBOR STATEMENT

This presentation and the following discussion may contain "forward looking statements" by Pearl Global Industries Limited ("Pearl Global" or "PGIL") that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of Pearl Global about the business, industry and markets in which it operates.

These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Pearl Global's control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of Pearl Global. In particular, such statements should not be regarded as a projection of future performance of Pearl Global. It should be noted that the actual performance or achievements of the company may vary significantly from such statements.

DISCUSSION SUMMARY

- Key Highlights
- Q4 & FY16 Results Analysis
- Consolidated Financials
- Company Overview
- Business Outlook
- Future Growth Opportunity – E-Retail Initiative “SBUYS”
- Shareholding Structure





KEY HIGHLIGHTS

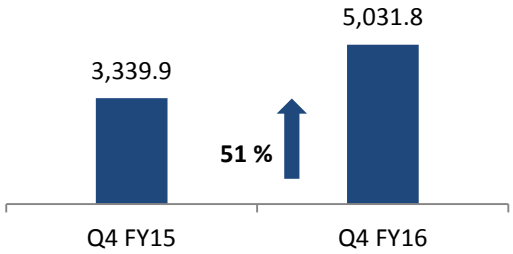
- SIGNIFICANT GROWTH IN REVENUES AND IMPROVEMENT IN PROFITABILITY
- STRONG BALANCE SHEET POSITION WITH NET DEBT TO EQUITY OF 0.13X
- IMPROVEMENT IN RETURN ON EQUITY FROM 8.1% IN FY15 TO 11.1% IN FY16
- CONSISTENT DIVIDEND PAYOUT – RECOMMENDED DIVIDEND OF RS 65 MN (17.7% OF FY16 REPORTED PAT)

Q4 & FY16 RESULTS HIGHLIGHTS

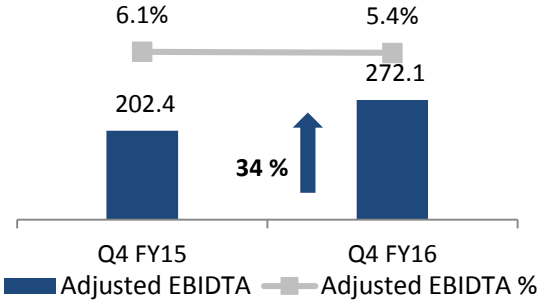
Q4 FY16 YoY ANALYSIS

In Rs Mn

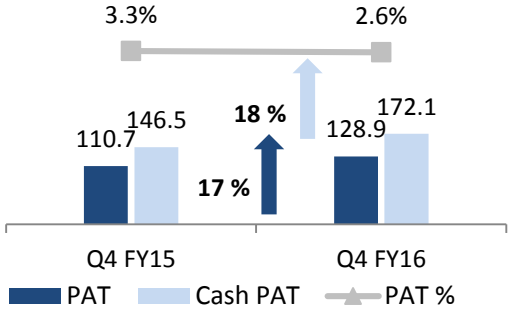
REVENUES



*Adjusted EBITDA & EBITDA MARGIN %

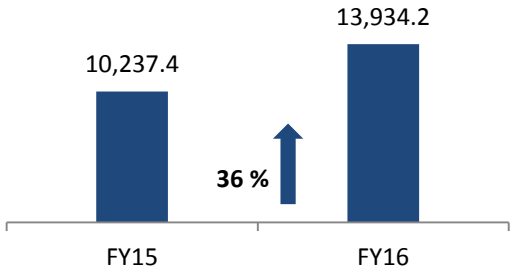


PAT & PAT MARGIN %

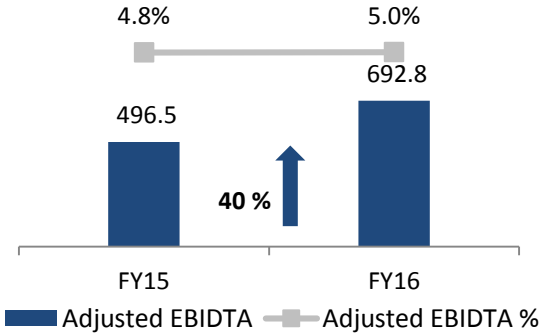


FY16 YoY ANALYSIS

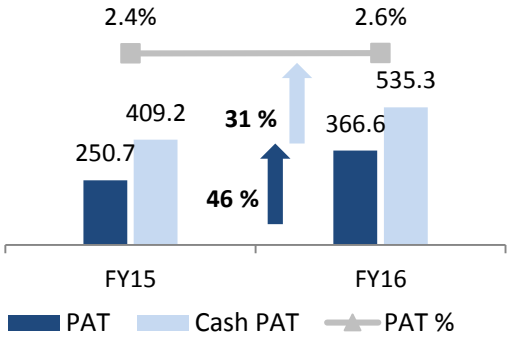
REVENUES



*Adjusted EBITDA & EBITDA MARGIN %



PAT & PAT MARGIN %



Note: ** EBITDA is adjusted to exclude one-time expense of Rs 61.9 mn on account of delays in securing compliances at Bangalore facility and Rs 25.0 mn on account of refurbishment of Knits facility in North India.

Q4 & FY16 RESULTS ANALYSIS

FINANCIAL UPDATE:

- Q4 FY16 and Full Year FY16 revenues grew by 51% and 36% YoY driven by healthy capacity utilization on the back of robust demand.
- Q4 FY16 and Full Year FY16 gross margin declined YoY from 45.4% to 38.3% and from 47.6% to 43.1% respectively, primarily due to higher share of traded goods procured from outsourced manufacturing facilities.
    - On account of significant pick-up in demand during fourth quarter (which is usually the strongest quarter with highest quarterly sales), the company had to rely on outsourced manufacturing facilities for meeting the demand. The amount of purchased goods thus increased from Rs 136.9 mn in Q4 FY15 to Rs 969.3 mn in Q4 FY16. Since the gross margin on traded goods is around 5%, the overall gross margin declined.
    - The gross margin on in-house manufacturing however continued to remain stable at 46.7% during Q4 FY16 and 49.2% during FY16.
    - Going forward, as the expanded capacities in Bangalore and Chennai become fully operational, the share of in-house manufacturing will increase leading to improvement in overall gross margins.
- Q4 FY16 adjusted EBITDA increased by 34% YoY in line with higher revenues. Adjusted EBITDA margin marginally declined to 5.4%.
    - EBITDA is adjusted to exclude one-time expense of Rs 61.9 mn on account of delays in securing compliances at Bangalore facility and Rs 25.0 mn on account of refurbishment of Knits facility in North India.
- FY16 adjusted EBITDA increased by 40% YoY and adjusted EBITDA margin improved marginally to 5.0%.
- Q4 FY16 and FY16 PAT increased by 17% and 46% YoY respectively majorly driven by improved operating performance coupled with lower finance costs. The finance costs declined by 14% YoY during Q4 FY16 and 13% YoY in FY16.
- The Board of Directors have recommended a dividend of Rs 3 per equity share (interim dividend of Rs 2.5 and final dividend of Rs 0.5) with face value of Rs 10, translating into Dividend Rate of 30% and Dividend Payout of 17.7% of FY16 PAT.

CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (Rs Mn)	Q4 FY16	Q4 FY15	YoY %	Q3 FY16	QoQ%	FY16	FY15	YoY %
Total Income from Operations	**5,031.8**	**3,339.9**	**50.7%**	**3,156.6**	**59.4%**	**13,934.2**	**10,237.4**	**36.1%**
Cost of Goods Sold	3,106.4	1,824.2	70.3%	1,679.5	85.0%	7,931.2	5,363.9	47.9%
Gross Profit	**1,925.4**	**1,515.7**	**27.0%**	**1,477.1**	**30.3%**	**6,003.0**	**4,873.5**	**23.2%**
Gross Margin %	***38.3%***	***45.4%***	**-712bps**	***46.8%***	**-853bps**	***43.1%***	***47.6%***	**-452bps**
Employee Expenses	572.3	451.3	26.8%	537.5	6.5%	2,063.2	1,661.3	24.2%
Other Expenses	1,167.9	862.0	35.5%	816.1	43.1%	3,333.9	2,715.7	22.8%
EBITDA	**185.2**	**202.4**	**-8.5%**	**123.6**	**49.8%**	**605.9**	**496.5**	**22.0%**
EBITDA Margin %	***3.7%***	***6.1%***	**-238bps**	***3.9%***	**-24bps**	***4.3%***	***4.8%***	**-50bps**
Adjusted EBITDA **	**272.1**	**202.4**	**34.4%**	**123.6**	**120.2%**	**692.8**	**496.5**	**39.5%**
Adjusted EBITDA Margin %	***5.4%***	***6.1%***	**-65bps**	***3.9%***	**149bps**	***5.0%***	***4.8%***	**12bps**
Depreciation	43.2	35.8	20.6%	42.7	1.2%	168.6	158.5	6.4%
Other Income	75.5	76.8	-1.7%	68.1	10.8%	251.8	240.5	4.7%
Finance Cost	54.9	63.9	-14.1%	43.1	27.5%	205.5	234.9	-12.5%
PBT	**162.6**	**179.5**	**-9.4%**	**106.0**	**53.4%**	**483.6**	**343.6**	**40.8%**
Exceptional items	-0.1	-2.3	-	0.0	-	-10.9	-1.4	-
Tax Expense	31.8	73.9	-57.0%	19.7	60.9%	107.3	99.0	8.4%
PAT	**130.7**	**103.3**	**26.6%**	**86.3**	**51.6%**	**365.4**	**243.1**	**50.3%**
Share of Profit/Loss of associates	-	-	N.A.	-	N.A.	-	-	N.A.
Minority Interest	-1.8	7.4	-	3.1	-	1.3	7.6	-
PAT after minority interest & share of profit of associates	**128.9**	**110.7**	**16.5%**	**89.3**	**44.3%**	**366.6**	**250.7**	**46.3%**
PAT Margin %	***2.6%***	***3.3%***	**-75bps**	***2.8%***	**-27bps**	***2.6%***	***2.4%***	**18bps**
Earnings Per Share (EPS)	**5.95**	**5.11**	**16.4%**	**4.12**	**44.4%**	**16.92**	**11.57**	**46.2%**

Note: ** EBITDA is adjusted to exclude one-time expense of Rs 61.9 mn on account of delays in securing compliances at Bangalore facility and Rs 25.0 mn on account of refurbishment of Knits facility in North India.

CONSOLIDATED BALANCE SHEET STATEMENT

Particulars (Rs Mn)	FY15	FY16
Share Holders' Funds:		
Equity share capital	216.6	216.6
Reserves and Surplus	2,957.6	3,242.2
Total of Shareholder funds	**3,174.3**	**3,458.8**
Minority Interest	**98.4**	**94.4**
Non-current liabilities:		
Long term Borrowings	138.9	193.2
Deferred tax liabilities (Net)	-	-
Other Long Term Liabilities	413.3	405.6
Long Term Provisions	46.8	63.1
Total of Non-current liabilities	**599.0**	**661.9**
Current liabilities:		
Short-term borrowings	1,459.9	1,743.3
Trade payables	1,658.2	1,822.2
Other current liabilities	292.1	464.4
Short-term provisions	60.6	1.2
Total of Current liabilities	**3,470.8**	**4,031.1**
Total Assets	**7,342.5**	**8,246.3**

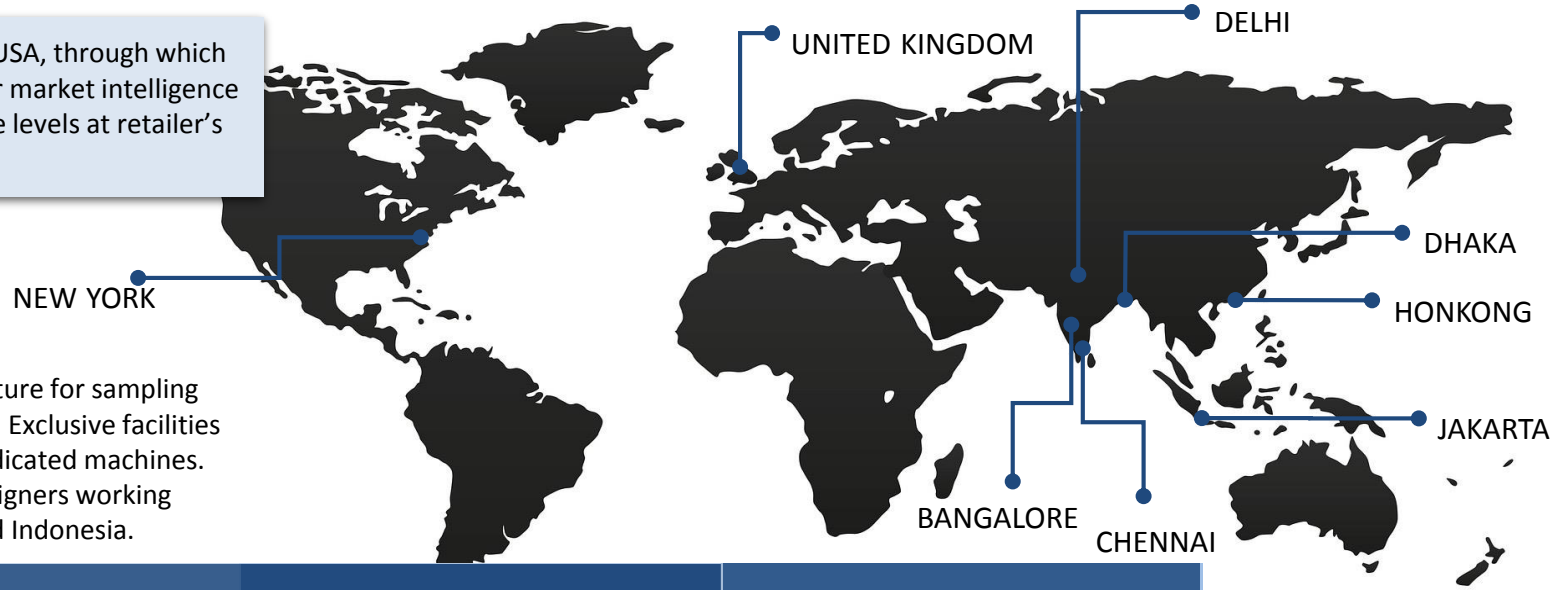
Particulars (Rs Mn)	FY15	FY16
Non-current assets:		
Fixed Assets	2,076.2	2,150.2
Goodwill on Consolidation	83.2	56.1
Non-current investments	0.5	0.6
Deferred Tax Assets (Net)	27.3	38.8
Long-term loans and advances	431.8	343.0
Trade Receivables	15.5	7.7
Other non-current assets	36.2	25.8
Total non-current assets	**2,670.8**	**2,622.1**
Current assets:		
Current Investments	111.8	192.2
Inventories	1,747.7	1,737.9
Trade receivables	1,193.2	1,806.7
Cash and bank balances	944.0	1,307.5
Short-term loans and advances	389.2	394.3
Other Current Assets	285.8	185.5
Total Current Assets	**4,671.7**	**5,624.1**
Total Assets	**7,342.5**	**8,246.3**

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 5.45 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 - 23 retailers with major thrust in USA and Europe, e.g. GAP, Banana Republic, Kohl's, Macy, Ralph Lauren, Tom Tailor, Next, Primark 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.

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.



Excellent infrastructure for sampling and product design. Exclusive facilities with over 9,000 dedicated machines. 75 experienced designers working across India, HK and Indonesia.

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

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.
- 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 million yards per month.

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	5	1,600	0.43
Bangladesh	Woven Soft Sep	1	400	0.20
Total Woven Soft Separates		**10**	**4,900**	**1.63**
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		**15**	**9,000**	**3.83**

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.

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.

APPROVED VENDOR TO GLOBAL BRANDS









































Target Australia

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	• Expanded capacities in Chennai and Bangalore to become fully operational in FY17. • 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.

FUTURE GROWTH OPPORTUNITY – E-RETAIL INITIATIVE “SBUYS”

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



SBUYS – 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.

SHAREHOLDING STRUCTURE

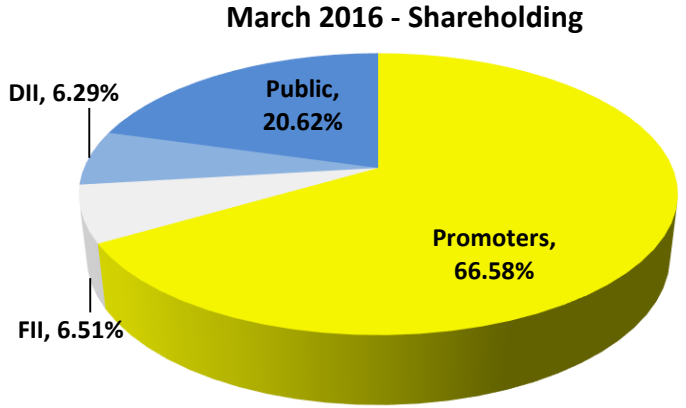
Shareholding %	Mar-16	Dec-15	Sep-15	Jun-14	Mar-15
Promoters	66.58%	66.58%	66.58%	66.58%	66.58%
FII	6.51%	6.58%	5.50%	5.53%	6.73%
DII	6.29%	6.29%	6.42%	6.42%	6.47%
Public	20.62%	20.55%	21.50%	21.47%	20.22%
Total No. of Shares (mn)	21.66	21.66	21.66	21.66	21.66

Source - BSE

Market Data	As on 27.05.16 (BSE)
Market capitalization (Rs Mn)	5,177.7
Price (Rs.)	239.0
No. of shares outstanding (Mn)	21.66
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	184.0 – 269.9

Key Institutional Investors at March-16	% Holding
Premier Investment Fund	4.85%
Reliance Capital	3.81%
Lesing Mauritius Ltd	3.00%
LTS Investment Fund	1.66%
GIC of India	1.18%
LIC of India	1.05%

Source - BSE



Source - BSE

FOR ANY FURTHER QUERIES PLEASE CONTACT -

THANK YOU

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