# PEARL GLOBAL INDUSTRIES LTD
# Q2 & H1 FY15 RESULTS UPDATE

November 2014

# SAFE HARBOR STATEMENT

*This presentation and the following discussion may contain "forward looking statements" by Pearl Global Industries Limited (Pearl Global) 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.*



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# SCHEME OF ARRANGEMENT POST DE-MERGER

Pearl Global Industries Limited operates across three business streams –

- Manufacturing
- Marketing & Distribution
- Sourcing of garments through subsidiaries

Till recently, the Company operated (through its subsidiaries) with two distinct business segments:

- **Manufacturing and Merchant Trade**

  Manufacturing – through facilities in Bangladesh, India and Indonesia.

  Merchant Trade – Indian office procures orders from customers and outsources them to own/third party factories in Bangladesh, and Indonesia.

- **Sourcing Marketing and Distribution (SDM)**

  Vast marketing network spread across Hong Kong, United States and UK which procures orders from the customers and outsources them entirely to third-party manufacturers. It also has facilities handling apparels processing and distribution in the US and UK.

- **Post the Scheme of Arrangement of the Company with PDS Multinational Fashions Limited, the SDM business of the Group stands divested into PDS as on May 13, 2014.**
- **PDS Multinational Fashions Limited issued six fully paid up equity shares of Rs. 10 to the shareholders of Pearl Global Industries Ltd for every five fully paid up equity shares of Rs. 10 each held, amounting to Rs. 259.9 mn on June 5, 2014.**
- **PDS Multinational Fashions Limited thus ceased to be a subsidiary of Pearl Global and accordingly its Q1 & Q2 FY15 results are not consolidated with the results of Pearl Global.**



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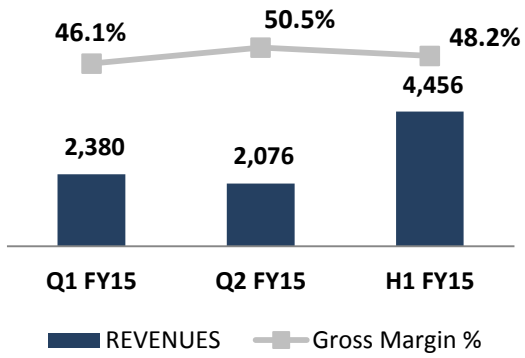
## DISCUSSION SUMMARY

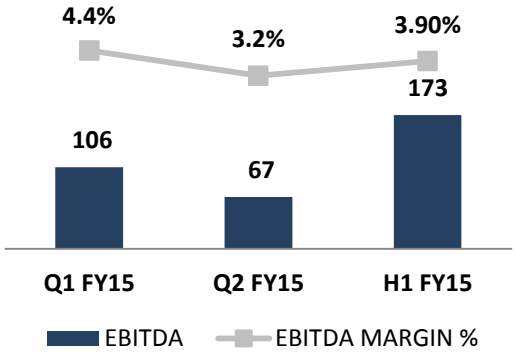
- **Q2 & H1 FY15 RESULTS HIGHLIGHTS**
- ABOUT US
- Q2 & H1 FY15 FINANCIALS

# Q2 & H1 FY15 RESULTS HIGHLIGHTS

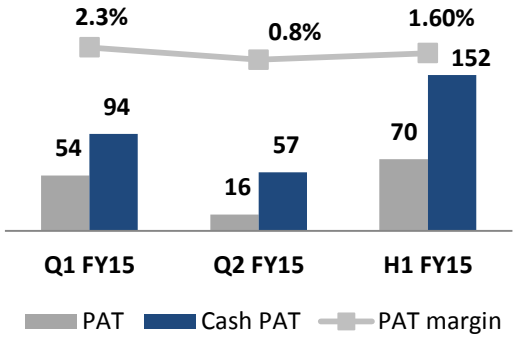
## REVENUES




## EBITDA & EBITDA MARGIN %




## PAT & PAT MARGIN %




- Q2 FY15 Total Revenues from Operations decreased by 12.7% QoQ to Rs. 2076 mn from Rs. 2380 mn in Q1 FY15. The second quarter is usually the weakest quarter due to seasonality of Business operations for India Facilities. However, Gross Margins improved by 440 bps to 50.5% from 46.1% due to improved realizations.
- **Understanding Seasonality -** More than 90% of our sales are to United States. The seasonal decline in demand for wovens in United States during fall season (August – October) results in lower capacity utilisation at Indian facilities during second quarter of the Financial year.
- Q2 FY15 EBIDTA decreased by 36.8 % QoQ to Rs. 67 mn from Rs. 106 mn in H1 FY14. EBIDTA Margin decreased by 1200 bps QoQ to 3.2% from 4.4% in Q1 FY14. Q2 FY15 PAT decreased by 70.3% QoQ to Rs. 16 mn from Rs. 54 mn in Q1 FY14. This was primarily due to Lower capacity Utilization of the Manufacturing Facilities.
- Cash Profit remains healthy for the company as the Interest cost is minimal due to low leverage as well as depreciation has been higher in accordance to the New Companies Act.

**In Rs Mn**



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# BALANCE SHEET PERSPECTIVE

| Key Balance sheet Ratios | H1 FY15 |
|---|---|
| Short Term Borrowing | 1394.5 |
| Long Term Borrowing | 168.0 |
| **Total Debt** | **1562.5** |
| Cash & Cash Equivalents | 851.0 |
| **Net Debt** | **711.5** |
| **Net Debt : Equity** | **0.24** |

- Robust balance sheet with low leverage (Net D:E – 0.2x) and strong cash balance of 851 mn.
- Currently, only 64% of the total capital employed forms part of the core business.
- Remaining 36% consists of non-core assets in form of land & building which is partially rented and partially idle.
- Non-core asset base lying idle will be either used for future business expansion or can be monetised.

**In Rs Mn**



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**DISCUSSION SUMMARY**

- Q2 & H1 FY15 RESULT HIGHLIGHTS
- **ABOUT US**
- Q2 & H1 FY15 FINANCIALS

# ABOUT US: COMPANY OVERVIEW

| | |
|---|---|
| **Business Overview** | • The erstwhile business of Pearl Global consisted of manufacturing, trading, marketing & distribution and exports of readymade garments.<br>• 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.<br>• 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.<br>• Capacity of around 5 million garments per month (including own and outsourced facilities).<br>• Broad product range - knits, woven, sweaters 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.<br>• Global Clientele - 21 retailers with major thrust in USA and Europe, e.g. GAP, Banana Republic, Kohl's, Macy, Ralph, Tom Tailor, Next, to name a few. |
| **SBUYS New E-Retail Initiative** | • Forward integration into online fashion apparel retailing under the brand "SBUYS".<br>• Offer in-house online retail portal "SBUYS.IN".<br>• Leverage leading online retail platforms like Flipkart, Snapdeal, Jabong, Myntra, Fashion and You, Hopscotch, Amazon etc. |



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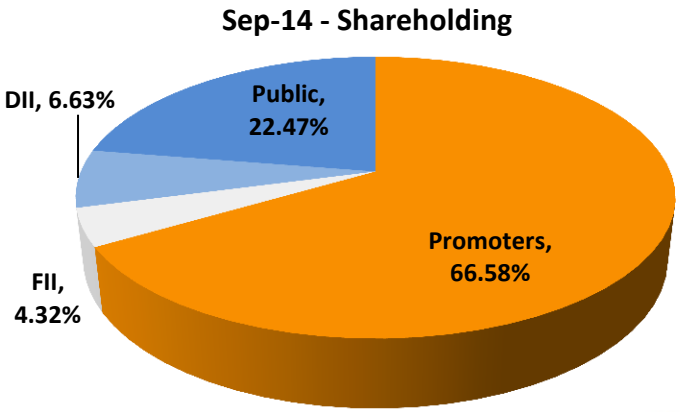
# ABOUT US: SHAREHOLDING STRUCTURE

| Shareholding % | Sep-14 | Jun-14 | Mar-14 | Dec-13 |
|---|---|---|---|---|
| Promoters | 66.58% | 66.58% | 66.58% | 66.58% |
| FII | 4.32% | 3.51% | 2.78% | 2.00% |
| DII | 6.63% | 6.63% | 6.63% | 6.63% |
| Public | 22.47% | 23.28% | 24.01% | 24.79% |
| Total No. of Shares (mn) | 21.66 | 21.66 | 21.66 | 21.66 |

| Market Data | As on 05.11.14 (BSE) |
|---|---|
| Market capitalization (Rs Mn) | 4,855 |
| Price (Rs.) | 224.1 |
| No. of shares outstanding (Mn) | 21.66 |
| Face Value (Rs.) | 10.0 |
| 52 week High-Low (Rs.) | 115.8 – 239.9 |

| Key Institutional Investors at Jun-14 | % Holding |
|---|---|
| Reliance Capital | 3.98% |
| LIC of India | 1.18% |
| GIC of India | 1.18% |



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# KEY SUSTAINABLE ADVANTAGE: MULTI-COUNTRY MANUFACTURING PRESENCE

**LONG TERM PREFERRED VENDOR TO LEADING GLOBAL APPAREL BRANDS**

**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.

**Strategic advantage:**

- Flexible, wide-range and cost-effective apparel sourcing solutions.
- Suppliers' risk diversification and access to different skill-sets for customers through the multi-location presence.
- Culturally attuned with the labour workforce and operating conditions.
- Capability to offer comprehensive apparel portfolio with diverse design and fashion requirements.



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# 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.**



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# KEY SUSTAINABLE ADVANTAGE: APPROVED VENDOR TO GLOBAL BRANDS

GAP

RALPH LAUREN

Talbots

KOHL'S

ANN TAYLOR

macy's

next

ZARA

NORDSTROM

BANANA REPUBLIC

Joe FRESH



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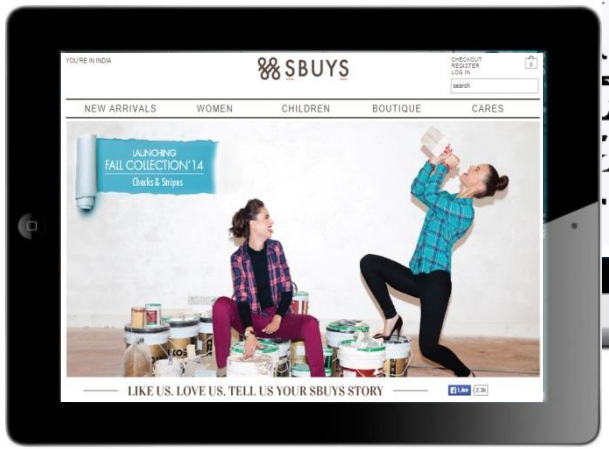
# FUTURE GROWTH OPPORTUNITY – E-RETAIL INITIATIVE "SBUYS"

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



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# 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.



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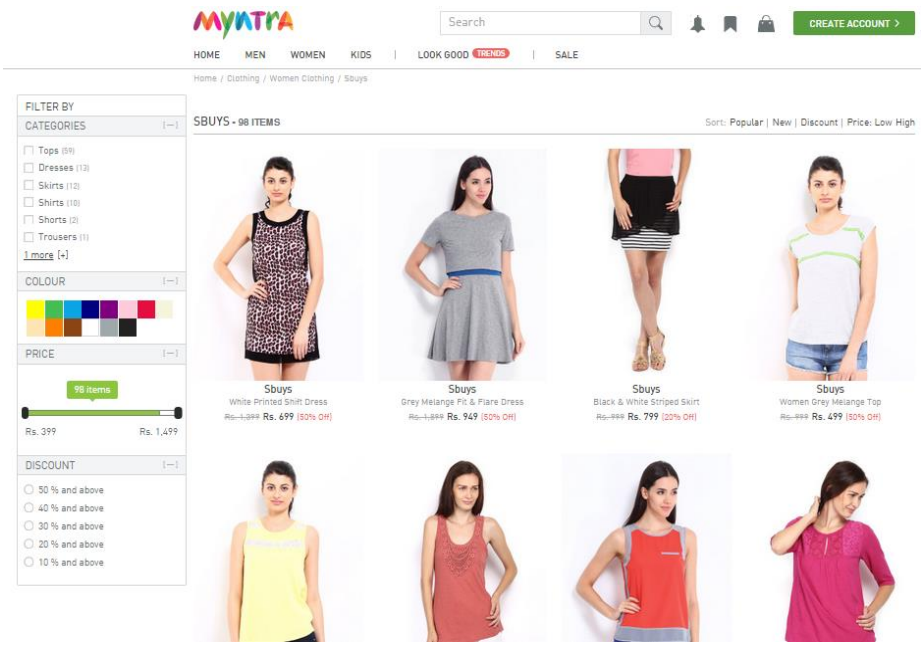
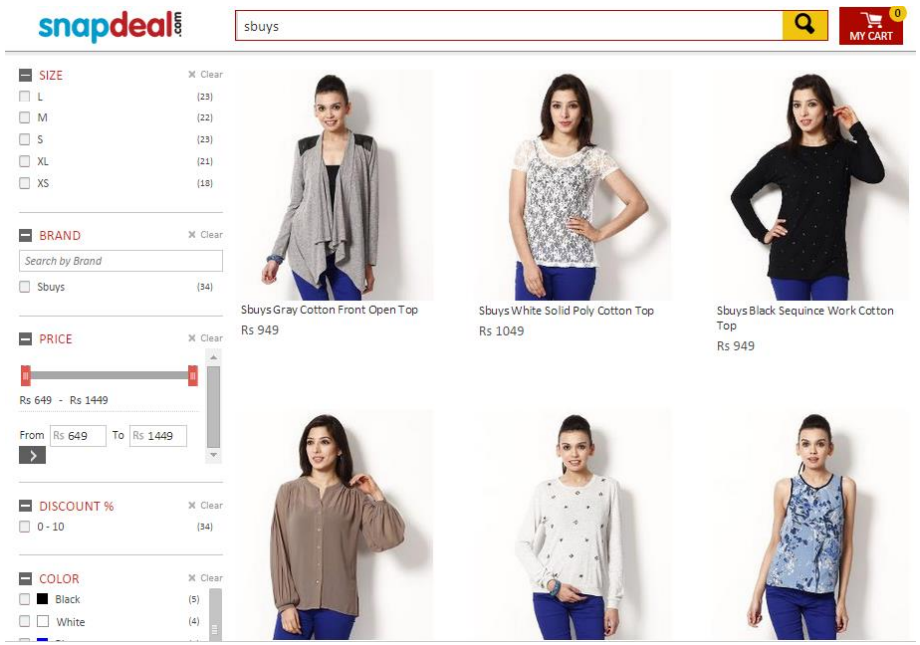
# SBUYS – BRAND VISIBILITY

- **Strategic Tie-Ups: Myntra, Snapdeal, Fashion and You and Hopscotch**
- **Strategic Tie-Ups under process: Flipkart, Jabong, Amazon.**



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# Q1 & H1 FY15 RESULTS – CONSOLIDATED P&L 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 | Q2 FY15 | Q1 FY15 | H1 FY15 |
|---|---|---|---|
| **Total Sales** | **2,076.0** | **2,380.1** | **4,456.1** |
| Cost of Goods Sold | 1,026.8 | 1,282.5 | 2,309.3 |
| **Gross Profit** | **1,049.2** | **1,097.6** | **2,146.8** |
| ***Gross Margin %*** | ***50.5%*** | ***46.1%*** | ***48.2%*** |
| Employee Expenses | 379.9 | 380.3 | 760.3 |
| Other Expenses | 602.1 | 611.6 | 1,213.8 |
| **EBITDA** | **67.1** | **105.6** | **172.8** |
| ***EBITDA Margin %*** | ***3.2%*** | ***4.4%*** | ***3.9%*** |
| Depreciation | 41.2 | 40.6 | 81.8 |
| Other Income | 51.4 | 50.5 | 101.8 |
| Exceptional items | (0.1) | 0.7 | 0.7 |
| **Profits Before Interest and Taxes** | **77.2** | **116.2** | **193.5** |
| Interest Expense | 54.3 | 63.5 | 117.7 |
| **Profits Before Taxes** | **23.0** | **52.8** | **75.7** |
| Taxes | 7.1 | (1) | 6.1 |
| *Tax rate* | *30.8%* | *(1.9%)* | *8%* |
| **Profits After Tax** | **15.9** | **53.8** | **69.8** |
| ***PAT Margin %*** | ***0.8%*** | ***2.3%*** | ***1.6%*** |
| EPS (Rs) | 0.74 | 2.49 | 3.22 |



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# Q2 & H1 FY15 RESULTS – CONSOLIDATED B/S STATEMENT

| Particulars in Rs Mn | Sep-14 |
|---|---|
| **Share Holders' Funds:** | |
| Equity share capital | 216.6 |
| Reserves and Surplus | 2,805.5 |
| **Total of Shareholder funds** | 3,022.1 |
| Minority interest | **46.4** |
| **Non-current liabilities:** | |
| Long term Borrowings | 168.0 |
| Deferred tax liabilities (Net) | - |
| Long Term Provisions | 40.3 |
| Other Long-term Liabilities | 359.6 |
| **Total of Non-current liabilities** | **567.9** |
| **Current liabilities:** | |
| Short-term borrowings | 1,394.5 |
| Trade payables | 1,336.8 |
| Other current liabilities | 209.5 |
| Short-term provisions | 2.6 |
| **Total of Current liabilities** | **2,943.4** |
| **Total Equity & Liabilities** | **6,579.8** |

| Particulars in Rs Mn | Sep-14 |
|---|---|
| **Non-current assets:** | |
| **Fixed assets** | |
| Tangible assets | **1,969.6** |
| Intangible assets | 83.2 |
| **Total Fixed Assets** | 2,052.8 |
| Non-current investments | 0.5 |
| Long-term loans and advances | 311.5 |
| Other non-current assets | 35.7 |
| Trade Receivables | 15.5 |
| Deferred Tax Assets | 48.7 |
| **Total non-current assets** | **2,464.7** |
| **Current assets:** | |
| Inventories | 1,749.2 |
| Trade receivables | 823.0 |
| Current Investments | 125.3 |
| Cash and bank balances | 725.7 |
| Short-term loans and advances | 510.1 |
| Other Current Assets | 181.8 |
| **Total Current Assets** | **4,115.1** |
| **Total Assets** | **6,579.8** |



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# FOR ANY FURTHER QUERRIES PLEASE CONTACT -

# THANK YOU


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