

PEARL GLOBAL INDUSTRIES LIMITED

Q3 & 9M FY15 RESULTS UPDATE

February 2015

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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

- Q3 & 9M FY15 Results Highlights
- Business Outlook & Summary
- About Us
- Key Sustainable Advantages
- Future Growth Opportunity – E-Retail Initiative “SBUYS”





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.

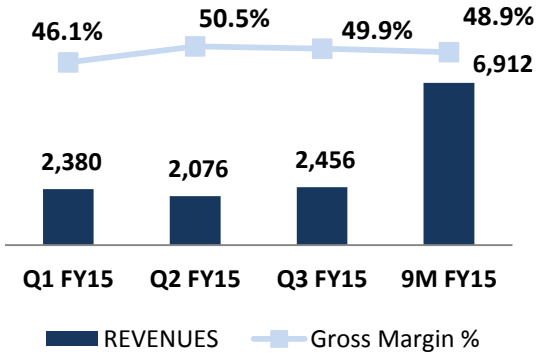
- **Sourcing Marketing and Distribution (SDM)**

  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.

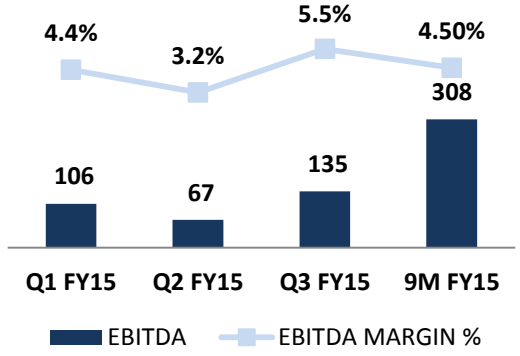
- **Post the Scheme of Arrangement of the Company with PDS Multinational Fashions Limited, the SDM business of the Group stands divested into PDS as on May 13, 2014.**
- **PDS Multinational Fashions Limited issued six fully paid up equity shares of Rs. 10 to the shareholders of Pearl Global Industries 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.**

Q3 & 9M FY15 RESULTS HIGHLIGHTS

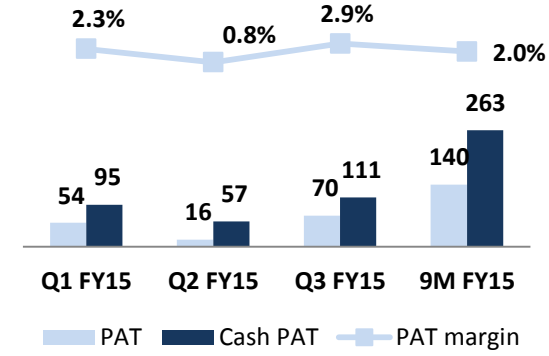
REVENUES



EBITDA & EBITDA MARGIN %



PAT & PAT MARGIN %



- Q3 FY15 Revenues increased by 18.3% QoQ driven by robust demand and improved capacity utilisation and also noting that Q2 is usually the weakest quarter driven by seasonality of business for India facilities. Gross margins have been stable QoQ.
- Q3 FY15 EBIDTA increased by 158.2% QoQ. EBIDTA Margin increased by 330 bps QoQ to 5.5% driven by higher capacity utilisation resulting into improved operating leverage.
- The company shows improved visibility on business front through its robust order book and expects to sustain growth along with improved margins over comings quarters.
- Interest cost is minimal due to low leverage and cash profit continues to remain healthy.

In Rs Mn

Q3 & 9M FY15 – CONSOLIDATED PROFIT & LOSS 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	Q3 FY15	Q2 FY15	QOQ %	9M FY15
Total Sales	**2455.5**	**2076.0**	**18.3%**	**6911.6**
Cost of Goods Sold	1230.4	1026.8	19.8%	3539.7
Gross Profit	**1225.1**	**1049.2**	**16.8%**	**3371.9**
Gross Margin %	***49.9%***	***50.5%***	-64.6 bps	***48.85***
Employee Expenses	449.7	379.9	18.4%	1210.0
Other Expenses	639.9	602.1	6.3%	1853.7
EBITDA	**135.4**	**67.1**	**101.7%**	**308.2**
EBITDA Margin %	***5.5%***	***3.2%***	228.2 bps	***4.5%***
Depreciation	40.9	41.2	-0.8%	122.7
Other Income	47.8	51.4	-7.0%	149.6
Exceptional items	0.2	-0.1	-348.1%	0.9
Profits Before Interest and Taxes	**142.5**	**77.2**	**84.5%**	**336.0**
Interest Expense	53.3	54.3	-1.7%	171.0
Profits Before Taxes	**89.2**	**23.0**	**288.4%**	**164.9**
Taxes	19.0	7.1	168.9%	25.1
Tax rate	*21.3%*	*30.8%*	-947.1 bps	*15.2%*
Profits After Tax	**70.3**	**15.9**	**341.1%**	**140.0**
PAT Margin %	***2.9%***	***0.8%***	209.4 bps	***2.0%***
EPS (Rs)	3.24	0.74		6.46

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

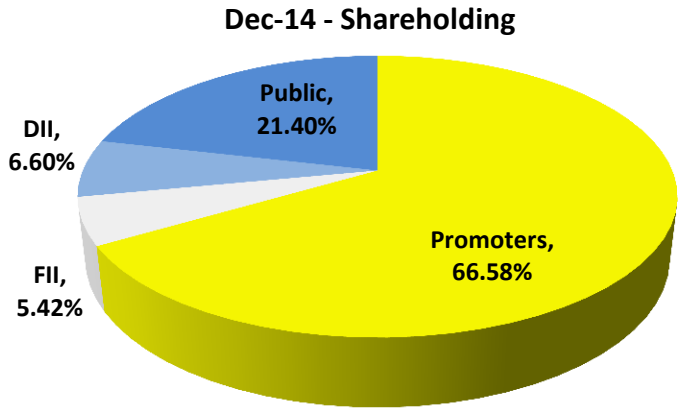
Business Overview	• The erstwhile business of Pearl Global consisted of manufacturing, trading, marketing & distribution and exports of readymade garments. • The Company decided to segregate its global marketing, sourcing & distribution business from its garment manufacturing business. The Scheme of 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, 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. • 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". • 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 %	Dec-14	Sep-14	Jun-14	Mar-14
Promoters	66.58%	66.58%	66.58%	66.58%
FII	5.42%	4.32%	3.51%	2.78%
DII	6.60%	6.63%	6.63%	6.63%
Public	21.40%	22.47%	23.28%	24.01%
Total No. of Shares (mn)	21.66	21.66	21.66	21.66

Market Data	As on 13.02.15 (BSE)
Market capitalization (Rs Mn)	4,677
Price (Rs.)	216.1
No. of shares outstanding (Mn)	21.66
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	154.0 – 246.0

Key Institutional Investors at Dec-14	% Holding
Reliance Capital	3.95%
Premier Investment Fund	3.55%
LIC of India	1.18%
GIC of India	1.18%



ABOUT US: BOARD OF DIRECTORS

Mr. Deepak Seth ***Chairman***	• Economics Graduate from St. Stephens College, Delhi University, MBA from Jamanalal Bajaj Institute of Management Studies, Mumbai, India. • He is an active member of the Apparel Export Promotion Council of India. • He was awarded the "Udyog Ratna" Award by the Haryana Govt. in 2006 for his entrepreneurial skills.
Mr. Pulkit Seth ***Managing Director***	• Bachelor of Business Management from Leonard N. Stern School of Business, University of New York, USA. • He has over 8 years of experience in the apparel industry. • He has been overseeing the domestic & overseas operations of the company and has played an important role in streamlining business processes and enhancing relationships with leading retailers in the U.S.
Mrs. Shefali Seth ***Director***	• Bachelor of Science in Business Administration from University of Bradford, U. K. • She is having international experience in trading, marketing of readymade garments and knowledge of Southeast Asia region for over two years.
Mr. Vinod Vaish ***Director***	• Bachelor of Science and Long Logistics & Management. • He had been in the Indian Navy for 28 years at various levels in various capacities and has achieved in-depth knowledge of all aspects of Administration and Logistics Management. • He has been conferred President Gold Medal for overall outstanding best officer in Naval Academy.
Mr. S.B. Mohapatra ***Independent Director***	• Master in Arts degree from Delhi University. • He joined the Indian Administrative Services in 1967 and retired in 2004. • He served as Secretary, Ministry of Textiles; Special Secretary, Ministry of Home Affairs; Additional Secretary and Finance Advisor, Ministry of Commerce and Director General of Foreign Trade. • He was also Managing Director of Industrial Development Corporation, Orissa.
Mr. Anil Nayar ***Independent Director***	• B. Tech. in Mechanical Engineering from IIT, Kanpur and MBA from IIM, Ahmedabad. • He has over 33 years experience in the area of Corporate Strategy, Corporate Restructurings, Structured Finance, and HR Initiatives.
Mr. Chittranjan Dua ***Independent Director***	• Masters Degree in Economics from Delhi School of Economics. • He has been a practicing advocate for over 32 years and has vast experience in Corporate Laws, Merger & Amalgamation, Public Issues, Corporate Structuring, infrastructure projects, International trade & taxation.
Mr. Rajendra Aneja ***Independent Director***	• Master of Management Studies with an Advanced Management Programme at Harvard Business School. • He has 32 years of robust business management experience in Multinational and family businesses, in Asia, Latin America, Middle East. • He has also been the CEO of a large Retail Business in Middle East handling about 75 large retail outlets in fashion, cosmetics, electronics goods, in the Middle East, Far East countries.

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.

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.

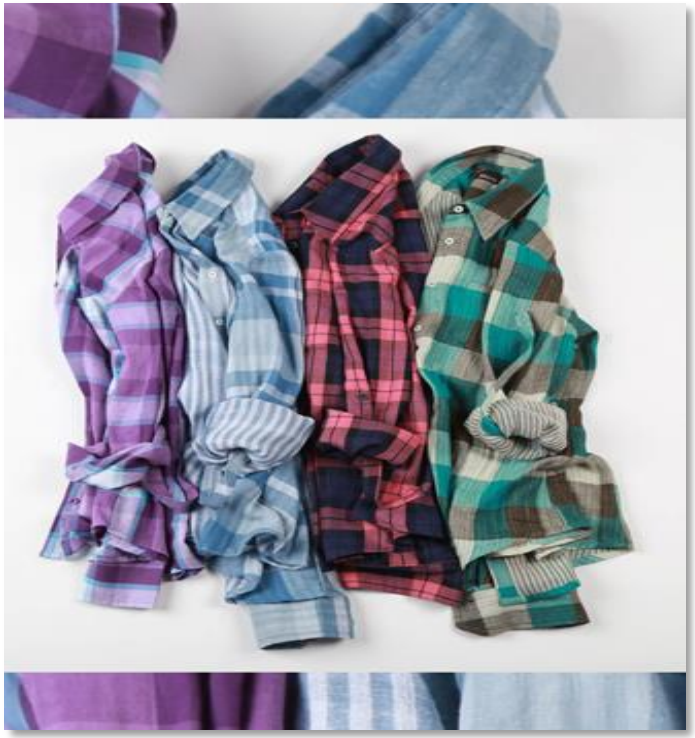
KEY SUSTAINABLE ADVANTAGE: APPROVED VENDOR TO GLOBAL BRANDS



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

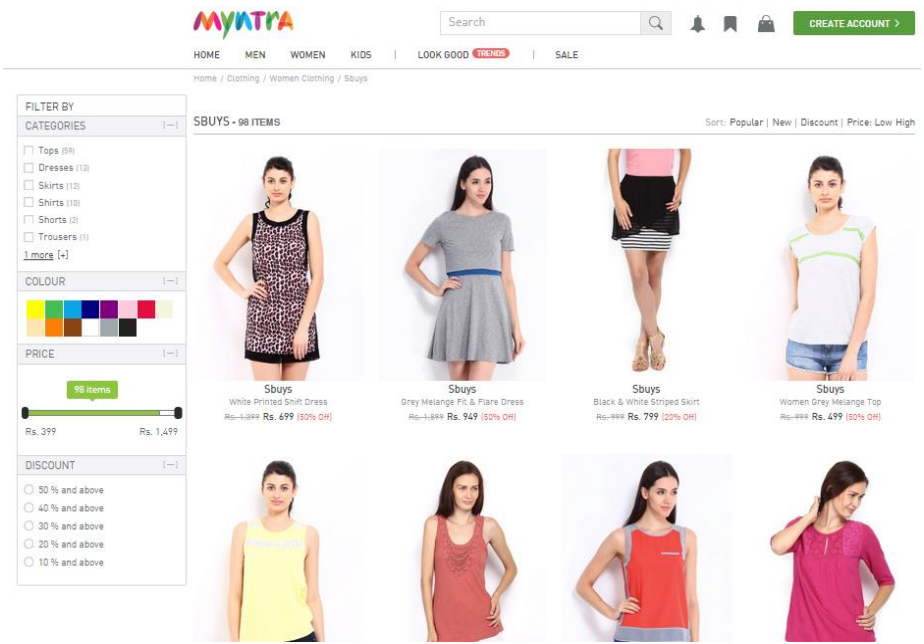
Business Growth Opportunity	• Forward integration into online fashion apparel retailing under the brand "SBUYS". • Online retailing is a high-growth space and offers strong potential to build a business model with healthy margin profile.

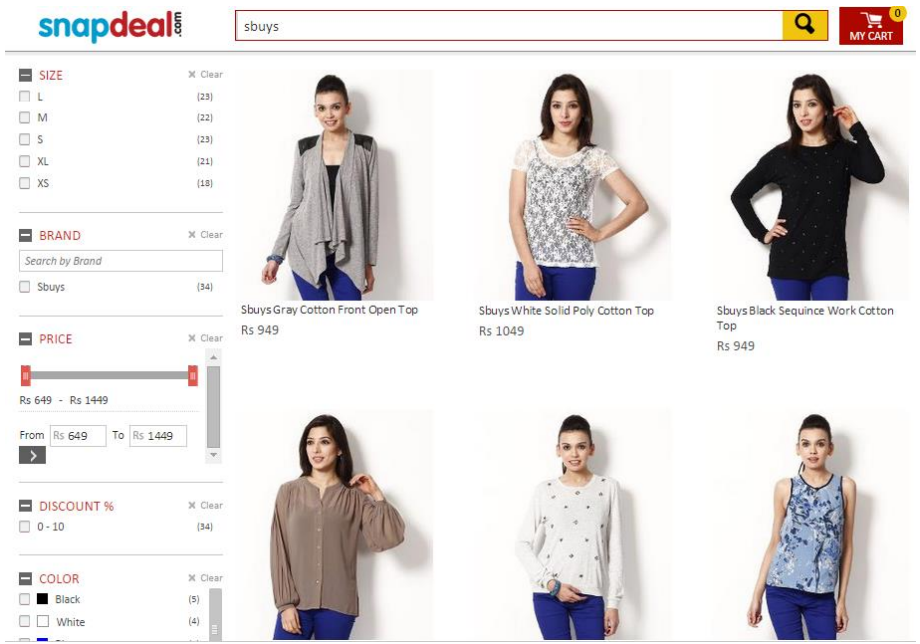
Business Rationale	• Leverage its strong knowledge & understanding of fashion apparels –
	  • Multi-location presence & multi-product expertise.
	  • In-house design team.
	  • Strong global apparel brand relationships.
	  • Early insights into latest global apparel trends and designs across womenswear 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.

SBUYS – BRAND VISIBILITY

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





FOR ANY FURTHER QUERIES PLEASE CONTACT -

THANK YOU

Mr. Raj Chawla
Chief Finance Officer
Pearl Global Industries
Email – rajkumar.chawla@pearlglobal.com
Contact No – +91 8447594225

Mr. Ammeet Sabarwal / Mr. Nilesh Dalvi
IR Consultant
Email – ammeet.sabarwal@dickensonir.com
nilesh.dalvi@dickensonir.com
Contact No – +91 9819576873 / 9819289131