PDS Ltd. | BUY

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Strategic priorities to drive profitability

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We attended the investor day for PDS, represented by Mr. Pallak Seth (Promoter), Mr. Sanjay Jain (Group CEO), besides key subsidiary heads. Key takeaways from the meet - 1) company expects softness in near-term (1QFY26) profitability given two Eid holidays during the quarter - impacting Bangladesh business and a seasonally weak quarter 2) FY26 revenue and profitability growth guidance maintained at mid-teens 3) company is focused towards recalibration of new verticals - losses from new verticals (INR1.62bn in FY25) expected to come down by 30% in FY26 4) cost optimization remains on track – benefits to materialize in 2HFY26 and annualized in FY27. The company remains committed to its 5-5-5 vision with current GMV at ~USD2.2bn (ahead of target) while there is catch-up to be done on PAT (20% of target achieved). Company plans to achieve this through cost optimization initiatives and recalibration of new verticals. With a new wholesale / franchise team in place and establishing relationship with multiple retailers to clear excess inventory, company's brand management business might witness a turnaround. Going forward structural drivers in terms of a) increased out-sourcing by global retailers b) turnaround in manufacturing operations c) increasing penetration in US markets is likely to act as strong base for top line growth. Maintain BUY.

- **Strategic priorities to drive profitability:** With cost optimization being the key focus, PDS is closely monitoring the new verticals with a clear mandate to the business heads – meet budget or cut cost or fund losses. Company is also focused towards reorganizing existing verticals – improving profitability through structural efficiencies. Overall company has guided for total cost savings to the tune of ~INR500mn driven by a) losses from new verticals (INR1.62bn in FY25) expected to come down by 25-30% with improving sales growth b) plan to save INR150-200mn from optimising the tail (merge or shut down option for non-preforming companies). Cost optimizations initiatives remain on track with benefits expected to materialize in 2HFY26 and annualized in FY27. Company remains cautious of new investments and remains focused on reducing working capital in the next few years.
- **Softness in near-term; long-term intact:** Company expects softness in near-term (1QFY26) profitability given a) cyclical nature of the business b) two Eid holidays during the quarter impacting business and c) normal profitability evolution cycle. However, long-term outlook stays intact with FY26 revenue and profitability growth guidance at mid-teens. PDS remains committed towards achieving its 3-3-3 vision, an intermediate step towards the 5-5-5 vision, targeting USD5bn GMV over 5 years and delivering a 5% PAT. Company plans to achieve this via a) maintaining a sustainable growth rate of mid-teens to reach a GMV of USD3bn, translated into a projected topline of ~USD2.1bn b) moving from investment stage to extraction stage – investment in employee costs to aid margins (3% PAT by FY27) and c) diversifying into high-value categories.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	690
Upside/(Downside)	63.0%
Previous Price Target	690
Change	0.0%

Key Data – PDSL IN	
Current Market Price	INR423
Market cap (bn)	INR59.8/US$0.7
Free Float	38%
Shares in issue (mn)	141.1
Diluted share (mn)	141.1
3-mon avg daily val (mn)	INR51.4/US$0.6
52-week range	659/336
Sensex/Nifty	82,189/25,003
INR/US$	85.6

Price Performance			
%	1M	6M	12M
Absolute	5.7	-22.4	-4.1
Relative*	2.2	-23.0	-10.6

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,03,727	1,25,780	1,45,218	1,60,782	1,77,352
Sales Growth (%)	-1.9	21.3	15.5	10.7	10.3
EBITDA	4,131	4,571	5,684	6,536	7,257
EBITDA Margin (%)	4.0	3.6	3.9	4.1	4.1
Adjusted Net Profit	1,442	1,569	2,312	2,837	3,262
Diluted EPS (INR)	10.9	11.1	16.4	20.1	23.1
Diluted EPS Growth (%)	-46.0	1.6	47.3	22.7	15.0
ROIC (%)	20.5	16.3	16.4	18.0	18.3
ROE (%)	12.4	9.5	12.7	14.0	0.0
P/E (x)	38.6	38.0	25.8	21.0	18.3
P/B (x)	4.8	3.6	3.3	2.9	2.6
EV/EBITDA (x)	15.5	14.3	11.4	9.9	9.0
Dividend Yield (%)	1.2	0.7	1.0	1.3	1.5

Source: Company data, JM Financial. Note: Valuations as of 06/Jun/2025

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

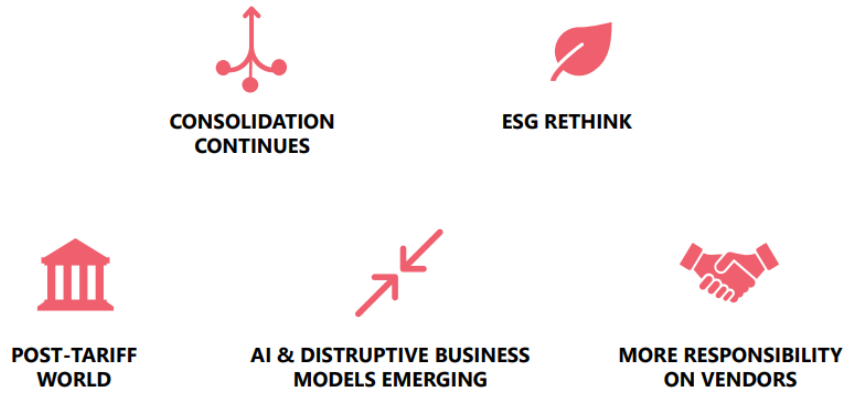
- **Opportunities in crisis; Ted Baker might see a turnaround:** Company remains well-placed amidst tariff uncertainties given tariff advantage against China (10% for Bangladesh against 30% for China currently) and structural positives in terms of increased outsourcing from global retailers, entry into newer markets (i.e. US), improved capacity utilisation at manufacturing segment. With India-UK FTA in place, PDS remains well-positioned to gain from its UK customers (USD1bn of GMV) by establishing their sourcing base in India. Ted Baker agency business was impacted in FY25 given most of its stores in US and UK were closed. Company also witnessed detrimental effect for its AW24 (Autumn / Winter) UK wholesale business. Ted Baker is now seeing a turnaround with new Wholesale and Franchise sales and account team in place – Q1 and Q2 ranges well received. Ted Baker has also established good relationships with retailers like TK Maxx and Zalando Lounge to clear excess inventory. Company is also restructuring its buying and design teams – to result in USD1mn annualized savings.

Exhibit 1. Target price

	FY28E
EPS (INR)	23.1
P/E multiple	30
Fair value (INR/share)	**690**

Source: JM Financial

Exhibit 2. Industry macro view



Source: Company, JM Financial

Exhibit 3. Recalibration of new verticals

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Recalibration of New Verticals

Across teams, budgets, and leadership to restore profitability

₹ IN CRS, UNLESS MENTIONED OTHERWISE

PARTICULARS (₹ IN CR, UNLESS MENTIONED OTHERWISE)	Full Year		GROWTH
	FY 25	FY 24	(Y-O-Y)
Total Revenue	**12,578.0**	**10,372.6**	**21%**
Revenue from New Verticals	665.7	226.2	194%
Revenue from Existing Verticals	11,912.3	10,146.5	17%
EBITDA	457.1	392.0	17%
% EBITDA Margin	3.6%	3.8%	-14 bps
Investments in New Verticals through P&L	(162.4)	(103.7)	57%
EBITDA prior to Investments in New Verticals	**619.5**	**495.7**	**25%**
% EBITDA Margin prior to Investments in New Verticals	**5.2%**	**4.9%**	**32 bps**
Profit After Tax	241.4	202.7	19%
% PAT Margin	1.9%	2.0%	-3 bps
Impact of New Verticals	(175.0)	(112.4)	56%
PAT prior to Investment in New Verticals	**416.3**	**315.1**	**32%**
% PAT Margin prior to Investment in New Verticals	**3.5%**	**3.1%**	**39 bps**

Key Action Areas

1. Verticals being closely monitored or proactively restructured
2. Clear mandate to Business Heads –meet budget or cut cost or fund losses
3. North America teams restructured under the new leadership of Michael Yee
4. Focus on reducing losses by 30% in FY26
5. Tight filters on new business to drive sustainable growth

Source: Company, JM Financial

Exhibit 4. Restrategizing Ted Baker business

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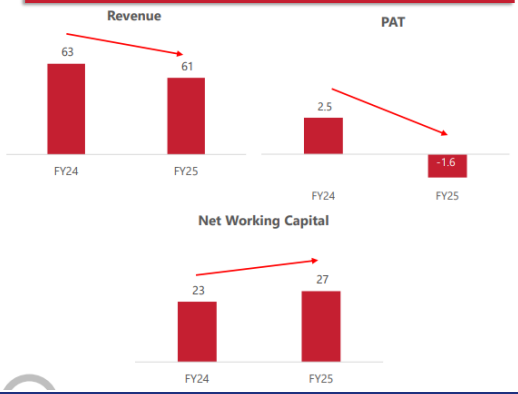
3 Restrategize New Lobster

Pivoting strategy to improve margins and market fit

$ IN MN, UNLESS MENTIONED OTHERWISE

Financial Performance



Key Action Areas

1. Invested $18mn – now need to squeeze profitability
2. Strategy & Business Plan being tracked
3. Team Structures being evaluated & Cost Restructuring underway
4. Driving better cash conversion cycle
   a. Increase receivable discounting
   b. Negotiating favorable payment terms from vendors

Source: Company, JM Financial

Exhibit 5. Strategic initiatives to turnaround Brand Management

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Year 2 Journey (April 2024 – March 2025): Turn Around

August 2024

1. No retail operator is found for the UK/EU - all physical stores close
2. Massive detrimental effect on AW24 UK Wholesale business
3. ABG announce United Legwear (ULW) as Licence partner for USA retail and wholesale menswear
4. United Legwear also obtain the Bloomingdales concessions

September 2024

1. ABG announce United Legwear as Licence partner for UK/EU Ted Baker.com website
2. New Lobster manages to deliver a minimal Q4 range to ULW and key wholesale marketplace customers

January to March 2025

1. SS25 delivered to all partners
2. Some delivery delays caused by previous year administration
3. Orders at 60% of original budget due to the uncertainly around the Brand following store closures and administration

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Where are we now?

Green Shoots

1. NEXT, JLP, Al Futtaim (Middle East) South Africa and Bloomingdales showing **good sales at full price**
2. Ted Baker **brand appears to have survived the administrations** from an end customer prospective and still remains desirable
3. In place a completely **new Wholesale and Franchise sales and account team** to deliver the level of service required
4. Q1 and Q2 **ranges well received**
5. Range **shape and retail price architecture has been amended** to reflect the "new" brand landscape without stores
6. Entered into a **strategic supply partnership with Fraser Group**, supported by ABG where we deliver them "own brand" margin and they give Ted Baker physical footage in all House of Fraser stores and enhanced on lone presence.
7. Established **good relationship with TK Maxx and Zalando Lounge** to clear excess inventory and we have agreed SMU programmes for SS26

Work in Progress

1. Analyzed the customer requirements and range shape - **Reducing the number of options** we design/present each phase by circa 25%
2. **Restructuring our buying and design teams** to reflect this resulting in a further $1 million annualized saving
3. Manufacturer confidence- Currently working on **reduced terms with majority of manufacturers** – creating pressure on cash flow
4. **Terms will improve over time** as we get back to profit and they see our on-time payments

Source: Company, JM Financial

Exhibit 6. PDSL: 1yr forward P/E valuation

Source: Bloomberg, JM Financial

Exhibit 7. PDSL: 1yr forward EV/EBITDA valuation

Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,03,727	1,25,780	1,45,218	1,60,782	1,77,352
Sales Growth	-1.9%	21.3%	15.5%	10.7%	10.3%
Other Operating Income	0	0	0	0	0
Total Revenue	**1,03,727**	**1,25,780**	**1,45,218**	**1,60,782**	**1,77,352**
Cost of Goods Sold/Op. Exp	82,618	1,00,471	1,18,657	1,31,448	1,45,208
Personnel Cost	9,795	12,108	10,950	11,894	12,871
Other Expenses	7,183	6,630	9,928	10,905	12,016
EBITDA	**4,131**	**4,571**	**5,684**	**6,536**	**7,257**
EBITDA Margin	4.0%	3.6%	3.9%	4.1%	4.1%
EBITDA Growth	-12.9%	10.7%	24.3%	15.0%	11.0%
Depn. & Amort.	934	1,107	1,296	1,374	1,471
EBIT	3,197	3,464	4,388	5,161	5,786
Other Income	409	495	351	330	330
Finance Cost	1,282	1,265	1,207	1,157	1,132
PBT before Excep. & Forex	2,324	2,694	3,532	4,334	4,984
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,324	2,694	3,532	4,334	4,984
Taxes	297	271	530	650	748
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-585	-854	-691	-847	-974
Reported Net Profit	1,442	1,569	2,312	2,837	3,262
Adjusted Net Profit	**1,442**	**1,569**	**2,312**	**2,837**	**3,262**
Net Margin	1.4%	1.2%	1.6%	1.8%	1.8%
Diluted Share Cap. (mn)	131.8	141.1	141.1	141.1	141.1
Diluted EPS (INR)	**10.9**	**11.1**	**16.4**	**20.1**	**23.1**
Diluted EPS Growth	-46.0%	1.6%	47.3%	22.7%	15.0%
Total Dividend + Tax	672	420	622	764	878
Dividend Per Share (INR)	5.1	3.0	4.4	5.4	6.2

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	11,665	16,505	18,194	20,267	22,651
Share Capital	264	282	282	282	282
Reserves & Surplus	11,402	16,222	17,912	19,985	22,368
Preference Share Capital	0	0	0	0	0
Minority Interest	792	658	1,348	2,196	3,170
Total Loans	10,539	12,321	11,821	11,321	11,321
Def. Tax Liab. / Assets (-)	-108	-156	-156	-156	-156
Total - Equity & Liab.	**22,888**	**29,327**	**31,207**	**33,627**	**36,986**
Net Fixed Assets	6,189	7,023	6,577	6,078	5,482
Gross Fixed Assets	9,549	12,623	13,396	14,271	15,236
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	4,506	5,614	6,909	8,284	9,755
Capital WIP	1,146	13	90	90	0
Investments	4,571	5,025	5,225	5,425	5,625
Current Assets	29,752	35,332	37,903	42,286	47,810
Inventories	3,286	4,834	7,161	7,929	8,746
Sundry Debtors	16,771	18,599	17,904	19,822	23,323
Cash & Bank Balances	6,841	7,374	8,064	8,367	8,938
Loans & Advances	2,854	4,525	4,774	6,167	6,803
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	17,623	18,053	18,498	20,161	21,931
Current Liabilities	15,042	15,071	15,516	17,179	18,950
Provisions & Others	2,581	2,982	2,982	2,982	2,982
Net Current Assets	12,129	17,279	19,405	22,125	25,879
Total – Assets	**22,888**	**29,327**	**31,207**	**33,627**	**36,986**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,739	1,831	2,842	3,487	4,010
Depn. & Amort.	934	1,107	1,296	1,374	1,471
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-2,208	-4,633	-1,436	-2,416	-3,183
Others	0	0	0	0	0
Taxes Paid	-297	-271	-530	-650	-748
Operating Cash Flow	**169**	**-1,966**	**2,172**	**1,795**	**1,550**
Capex	-1,665	-1,942	-850	-875	-875
Free Cash Flow	-1,497	-3,907	1,322	920	675
Inc (-) / Dec in Investments	-387	-455	-200	-200	-200
Others	-1,246	3,515	691	847	974
Investing Cash Flow	**-3,298**	**1,118**	**-359**	**-228**	**-101**
Inc / Dec (-) in Capital	2	19	0	0	0
Dividend + Tax thereon	-672	-420	-622	-764	-878
Inc / Dec (-) in Loans	3,349	1,781	-500	-500	0
Others	0	0	0	0	0
Financing Cash Flow	**2,679**	**1,380**	**-1,122**	**-1,264**	**-878**
Inc / Dec (-) in Cash	**-450**	**533**	**690**	**303**	**571**
Opening Cash Balance	7,291	6,841	7,374	8,064	8,367
Closing Cash Balance	6,841	7,374	8,064	8,367	8,938

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	1.4%	1.2%	1.6%	1.8%	1.8%
Asset Turnover (x)	5.0	4.8	4.8	5.0	5.0
Leverage Factor (x)	1.9	1.9	1.7	1.7	1.6
RoE	13.0%	11.1%	13.3%	14.8%	15.2%

Key Ratios

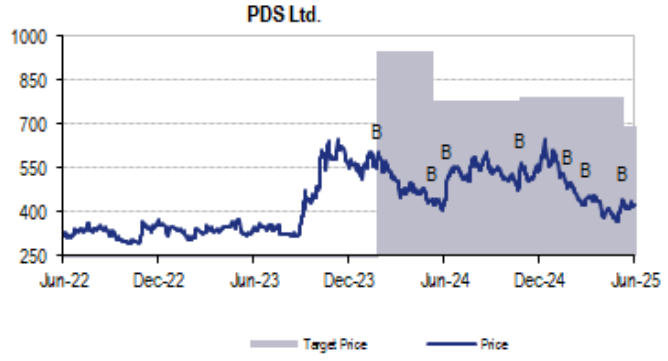
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	88.5	117.0	128.9	143.6	160.5
ROIC	20.5%	16.3%	16.4%	18.0%	18.3%
ROE	12.4%	9.5%	12.7%	14.0%	0.0%
Net Debt/Equity (x)	0.3	0.3	0.2	0.1	0.1
P/E (x)	38.6	38.0	25.8	21.0	18.3
P/B (x)	4.8	3.6	3.3	2.9	2.6
EV/EBITDA (x)	15.5	14.3	11.4	9.9	9.0
EV/Sales (x)	0.6	0.5	0.4	0.4	0.4
Debtor days	59	54	45	45	48
Inventory days	12	14	18	18	18
Creditor days	55	45	41	41	41

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-Jan-24	Buy	950	
16-May-24	Buy	780	-17.9
12-Jun-24	Buy	780	0.0
30-Oct-24	Buy	790	1.2
29-Jan-25	Buy	790	0.1
6-Mar-25	Buy	790	0.0
16-May-25	Buy	690	-12.8

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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