Not Rated

Pearl Global Industries

Steering the ship amid turbulent tides

Textiles | Company Update | **July 17, 2025**

CMP (Rs): 1,630 | TP (Rs): NA

We recently hosted the senior management of Pearl Global Industries (PGIL) for a roadshow in Mumbai. The key takeaways are: 1) Owing to burden-sharing of the additional 10% US tariffs, PGIL may see 50-60bps margin dilution QoQ in Q1FY26; the management is confident of mitigating tariff uncertainties by optimizing costs and improving utilizations across plants. 2) The company's faith in Bangladesh operations continues despite the recent political turmoil and relatively higher tariff structure. Further, for PGIL, ~85% of its planned capex is directed toward Bangladesh, owing to a natural cost-advantage (inexpensive labor). 3) It maintains its target of Rs60bn revenue and volumes of 100mn pieces by FY28, coupled with early double-digit margins. 4) PGIL expects plants in new regions (Bihar) to be return/margin accretive on the back of availability of skilled labor and higher productivity vs traditional textile clusters in India. At CMP, PGIL trades at ~19x FY27 P/E multiple (Bloomberg estimates). PGIL is 'Not Rated'. Key risks: Demand slowdown in key markets like the US, geopolitical tensions impacting trade or business operations.

Well-placed to minimize the tariff impact

To minimize the tariff impact (levied on 2-Apr-25), a few US retailers requested their vendors to share the 10% baseline tariff during the 90-day window. Per PGIL, the level of tariff burden absorbed by a vendor is dependent on the proportion of revenue generated from US markets. PGIL's revenue contribution from the US has reduced sharply to ~48% currently, from ~85% in FY21. As a result, the company absorbed ~2% of tariff costs (pertaining to US clients) and passed on the rest to other stakeholders in the chain. The management believes that PGIL's multi-country (India, Bangladesh, Vietnam, etc.) manufacturing shall help mitigate US tariff uncertainties.

On the back of recent trade deals, we believe US retailers shall face the least inflation in textile products imported from Vietnam and Indonesia (among the top-5 countries exporting to the US).

Continued faith in Bangladesh

PGIL continues to bet on Bangladesh despite the recent political turmoil in the country and the relatively higher tariff structure (vs India, Vietnam); ~85% of the company's FY26 capex budget is directed toward Bangladesh. PGIL's facilities in Bangladesh are operating at optimal utilization, with robust orderbooks. The management believes that Bangladesh offers a natural cost advantage owing to inexpensive labor, which is ~USD120 compared to ~USD170 and ~USD300 in countries like India and Vietnam, respectively. Per PGIL, Bangladesh reported the highest volume growth among its manufacturing bases (India, Vietnam, Guatemala, and Indonesia) in FY25.

Target Price – 12M	
Change in TP (%)	**NA**
Current Reco.	Not Rated
Previous Reco.	Not Rated
Upside/(Downside) (%)	NA

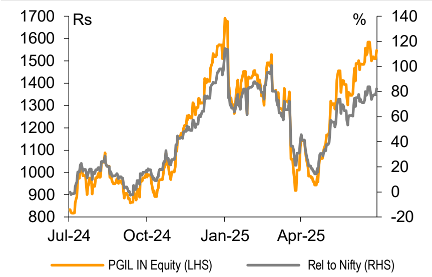
Stock Data	**PGIL IN**
52-week High (Rs)	1,718
52-week Low (Rs)	773
Shares outstanding (mn)	46.0
Market-cap (Rs bn)	75
Market-cap (USD mn)	870
Net-debt, (Rs mn)	2.638.26
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	152.8
ADTV-3M (USD mn)	1.8
Free float (%)	37.2
Nifty-50	25,111.4
INR/USD	86.1

Shareholding,Mar-25	
Promoters (%)	62.8
FPIs/MFs (%)	7.4/11.6

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	15.8	42.7	95.7
Rel. to Nifty	14.6	35.6	91.8

1-Year share price trend (Rs)



Pearl Global Industries: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Revenue	14,909	27,135	31,584	34,362	45,063
EBITDA	606	1,406	2,582	3,164	4,108
Adj. PAT	46	615	1,358	1,754	2,438
Adj. EPS (Rs)	1.1	14.2	31.3	40.3	53.1
EBITDA margin (%)	4.1	5.2	8.2	9.2	9.1
EBITDA growth (%)	-	132.2	83.7	22.5	29.8
Adj. EPS growth (%)	-	1,228.4	121.0	28.4	31.8
RoE (%)	0.9	11.0	20.6	23.0	24.9
RoIC (%)	-	8.4	17.8	22.8	25.4
P/E (x)	408.7	103.6	47.3	40.6	30.2
EV/EBITDA (x)	117.5	52.1	27.5	22.4	18.1
P/B (x)	13.7	11.8	9.8	8.9	6.5
FCFF yield (%)	1.0	(1.8)	4.8	3.2	1.0

Source: Company, Emkay Research

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Utilization to remain rangebound despite capacity added (led by FTAs)

PGIL achieved ~80% capacity utilization in FY25 and aims to reach production capacity of 135mn pieces by FY28, from 93.2mn as of end-FY25. Further, the management intends to report utilization akin to FY25, on the back of 1) quick ramp-up of the recently commissioned unit in Bihar, 2) higher demand emanating from executed/ongoing Free Trade Agreements (FTAs) with various countries, and 3) higher utilization in Indonesia and Guatemala units, etc.

The management guided for revenue CAGR at 12-14% over the next 2-3Y which shall be primarily driven by volume growth.

Foray into Bihar

The company has recently commissioned its wholly owned manufacturing unit in Muzaffarpur, Bihar. The management believes the Bihar unit to be return/margin accretive on the back of 1) availability of skilled employees and higher productivity vs traditional textile clusters in India, and 2) state incentive polices provided by the Bihar government. PGIL expects the Bihar unit to achieve similar unit economics as Bangladesh operations in the next 5-10 years

Focus on margin improvement

PGIL reported EBITDA (consolidated) margin of ~9% in FY25. The management targets 11-12% margins over the next 2-3Y. The improvement shall be achieved by ramping-up 1) Guatemala operations, which reported ~USD2mn loss in FY25, and 2) Indonesian and Indian operations - led by higher demand from the UK FTA. Additionally, PGIL plans to diversify its products toward denims, bottoms, shirts, and knit products. The diversification will not only premiumize the product mix but also reduce the seasonality factor in PGIL's earnings and improve capacity utilization.

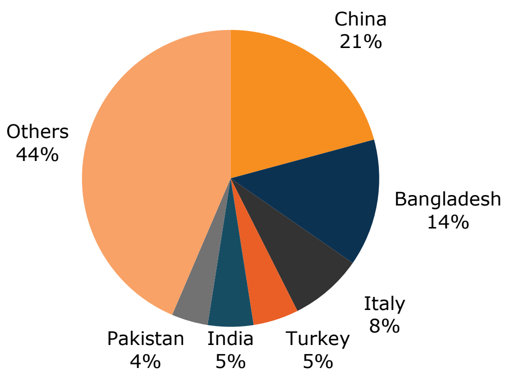
Per PGIL, the burden-sharing of tariffs could result in margin dilution to the tune of 50-60bps in Q1FY26, on a QoQ basis. However, the company aspires to recover the loss through improvements in efficiency and cost-optimization across operations in ensuing quarters.

Other highlights

- By 2028, PGIL is targeting total production capacity of 135mn pieces. Of this, it aims to ship at least 100mn pieces by 2028.
- PGIL maintains its guidance for Rs60bn revenue by FY28, coupled with early double-digit profitability.
- The current realization is ~Rs600/piece; PGIL expects it to remain range-bound in the medium term.
- Per the management, it aims to attain revenue of ~Rs20bn (from ~Rs12bn currently) from India operations, led by ramp-ups of existing and recently commissioned units (Bihar). Higher demand from the UK FTA will aid this growth trajectory.
- The company is also evaluating future expansion in Madhya Pradesh, contingent on the performance and outcomes in Eastern India.
- **UK FTA**: The FTA places India on equal footing with countries like Bangladesh, Cambodia, Vietnam, and Turkey (which previously enjoyed preferential access to the UK market), and provides 12% duty advantage over China.
- PGIL Group has ~5% exposure to the UK and is well-positioned to scale up revenue 2x-3x over 1-2Y, leveraging its capacities in India. Per industry data, the UK imports apparels worth ~USD20bn per annum, of which China contributes 25%, Bangladesh 20%, Turkey 8%, and India and Cambodia at 6% each.

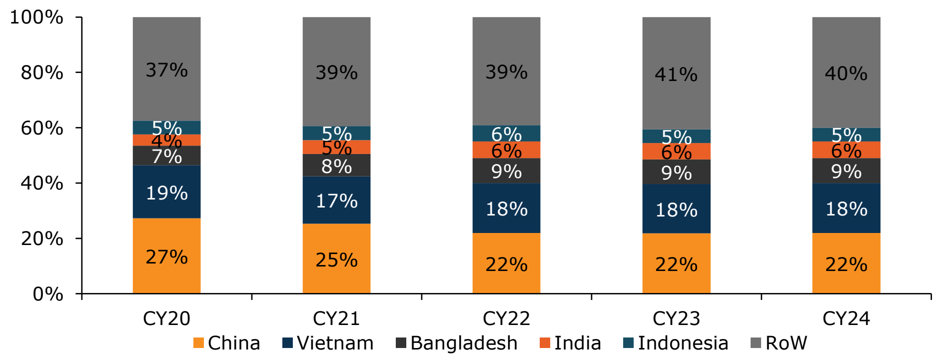
- **FY26 capex**: PGIL plans capex of Rs2.5bn in FY26. Of the total capex,
  - Rs1.3bn is allocated toward capacity expansion (Rs1.1bn in Bangladesh and Rs200mn in India). This will result in capacity enhancement by 8mn pieces (5-6mn in Bangladesh and 2.5-3.5mn pieces in India).
  - Rs900mn is for sustainable laundry capacity expansion. This will lower washing costs and reduce water consumption, generating RoCE of 18-20%.
  - Rs50mn is for solar power installation, and
  - Rs250mn is for replacement and efficiency enhancement.
- Client concentration: The top 5 clients contribute ~60% of PGIL's revenue.
- Effective tax rate: The company expects an effective tax rate of ~15% ahead.
- Dividend: Per policy, PGIL aims to maintain payout of at least 20% each year.
- Working capital days to remain at 38-42 days.

Exhibit 1: The UK's apparel imports stood at USD18.4bn in CY24



Source: Company, Emkay Research

Exhibit 2: Major countries exporting to US are China, Vietnam, Bangladesh, India, and Indonesia



Source: Industry data

Exhibit 3: Per the announced tariffs, US retailers will see least inflation on import of goods from Vietnam and Indonesia…

Impact on US retailers	China	India*	Bangladesh	Vietnam	Indonesia
Base Cost (USD/piece)- FOB	100	100	100	100	100
Duty (Assumed) before 2-Apr-25	15%	15%	15%	15%	15%
Toal Landed Cost (USD/piece)	115	115	115	115	115
Tariff rate announced till date	**55%**	**26%**	**35%**	**20%**	**19%**
Baseline tariff announced on 2-Apr-25^	30%	10%	10%	10%	10%
Landed cost post 2-Apr-25 (USD/piece)	145	125	125	125	125
Additional tariffs to be levied from 1-Aug-25	25%	16%	25%	10%	9%
Toal Landed Cost post from 1-Aug-25 (USD/piece)	170	141	150	135	134
Incremental cost for US retailers	**48%**	**23%**	**30%**	**17%**	**17%**

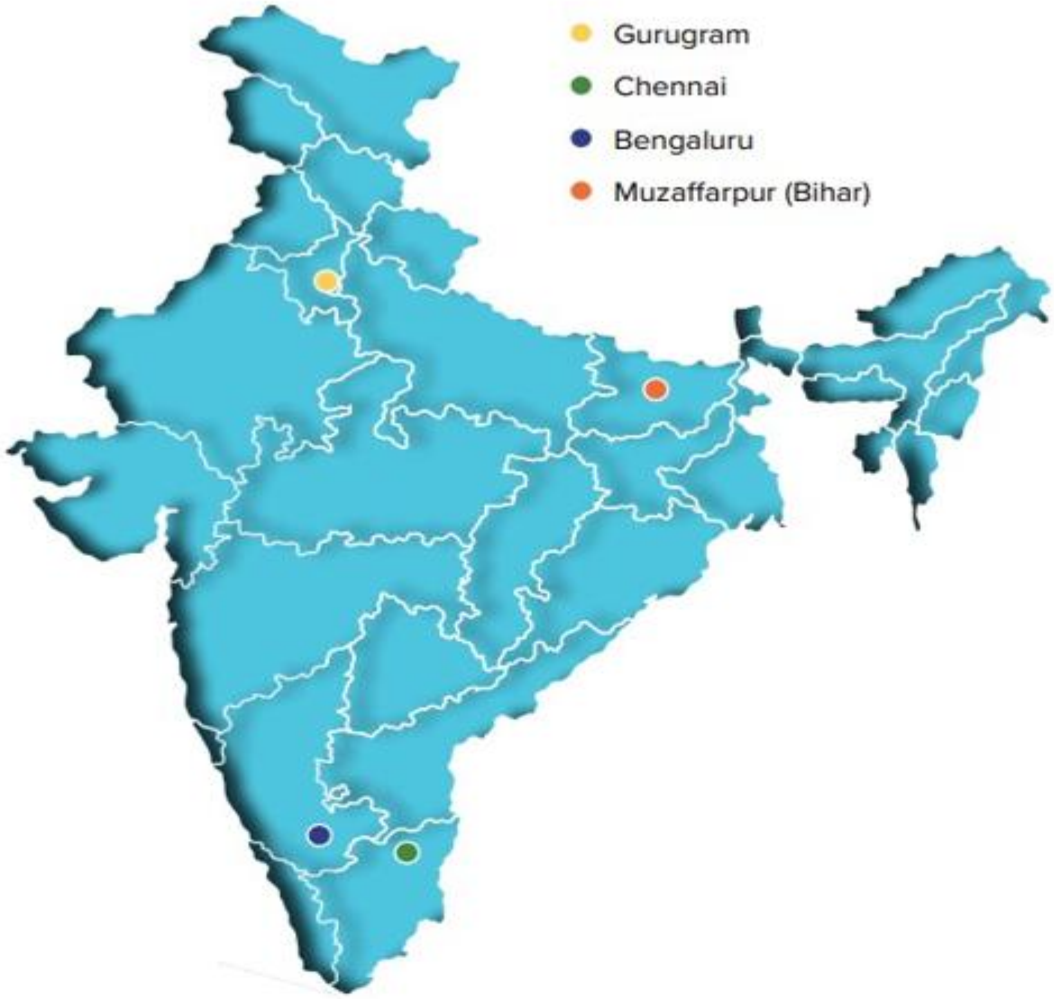
*Source: Industry data, Emkay Research; * Awaiting clarity on tariffs, ^20% Fentanyl tariff levied on China*

Exhibit 4: …and assuming tariff on India is reduced to 20%, goods from India will be on par with Vietnam and Indonesia, and shall have ~30% cost advantage over China

Impact on US Retailers	China	India*	Bangladesh	Vietnam	Indonesia
Base Cost (USD/piece)- FOB	100	100	100	100	100
Duty (Assumed) before 2-Apr-25	15%	15%	15%	15%	15%
Toal Landed Cost (USD/piece)	115	115	115	115	115
Tariff rate announced till date	**55%**	**20%**	**35%**	**20%**	**19%**
Baseline tariff announced on 2-Apr-25^	30%	10%	10%	10%	10%
Landed cost post 2-Apr-25 (USD/piece)	145	125	125	125	125
Additional Tariffs to be levied from 1-Aug-25	25%	10%	25%	10%	9%
Toal Landed Cost post from 1-Aug-25 (USD/piece)	170	135	150	135	134
Incremental cost for US retailers	**48%**	**17%**	**30%**	**17%**	**17%**

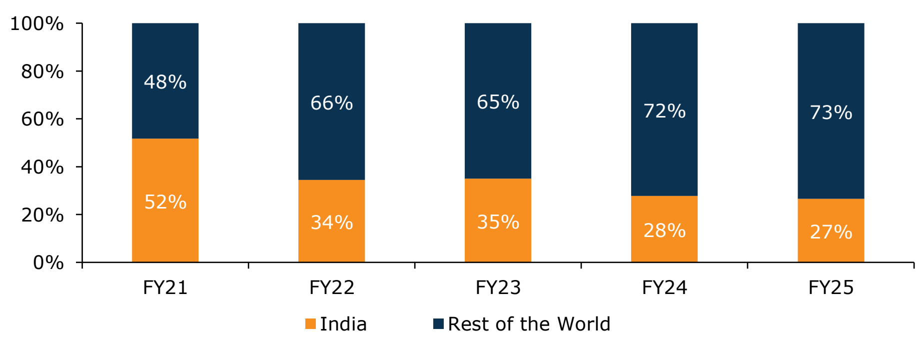
*Source: Industry data, Emkay Research; * Awaiting clarity on tariffs, ^20% Fentanyl tariff levied on China*

Exhibit 5: PGIL's manufacturing facilities in India



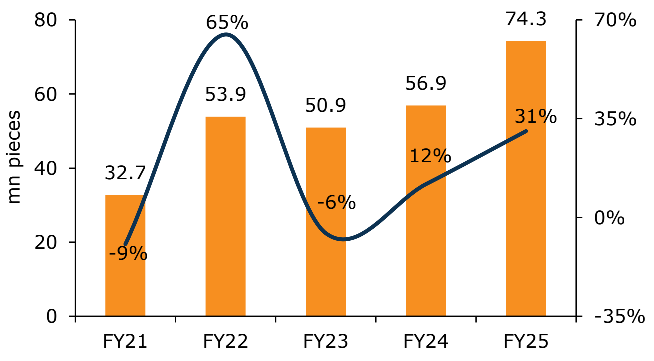
Source: Company, Emkay Research

Exhibit 6: Geographical mix - Revenues



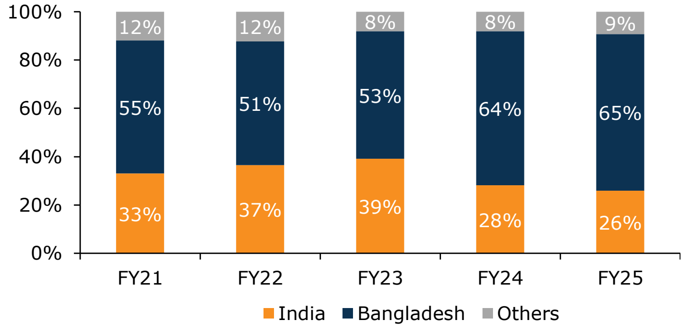
Source: Company, Emkay Research

Exhibit 7: No of pieces shipped



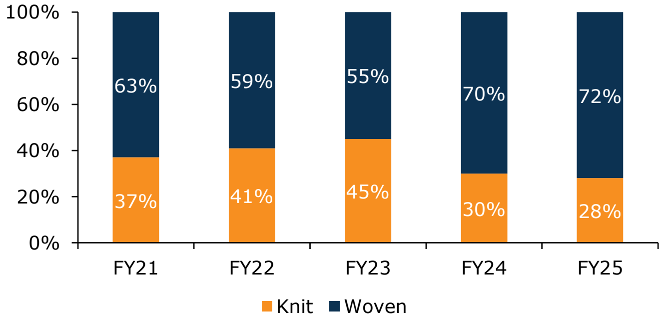
Source: Company, Emkay Research

Exhibit 8: Geographical mix - Volumes



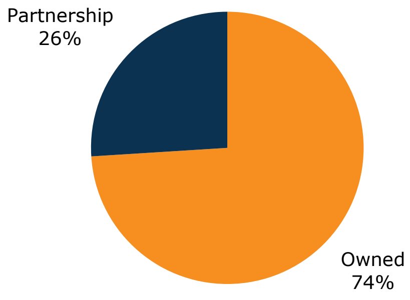
Source: Company, Emkay Research; others include Vietnam, Indonesia, and Guatemala

Exhibit 9: Product-wise split



Source: Company, Emkay Research

Exhibit 10: PGIL derives 74% of its revenues from owned facilities



Source: Company, Emkay Research

Exhibit 11: Manufacturing facilities – Operating metrics

Location	No of Units		Capacity Utilization (Blended) FY25	Annual Capacity as of FY25 (mn pieces)	Specialization
	In-House	Partnership			
India	8	-	78.3%	24.5	Woven and knit products, including women's fashion wear, men's wear, and kid's wear. Factories in the South make women's tops and dresses
Bangladesh	4	5	87.7%	54.8	Woven and knitted tops and bottoms for men, women, and kids
Vietnam	1	4	62.7%	6.5	Multiple products, including outerwear and jackets (including down jackets, woollen jackets and coats, seam-sealed jackets, puffers, parka, blazers, and anoraks), swim trunks, and synthetic bottoms
Indonesia	2	-	38.8%	4.1	Women's professional wear, performance wear, activewear, woven tops and dresses, sleepwear, and loungewear
Guatemala	1	-	38.0%	3.3	Polos, heavy-weight knits, light-weight knits, bottoms, and denims
Total	**16**	**9**	**79.6%**	**93.1**	**-**

Source: Company, Emkay Research

Pearl Global Industries: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25
Revenue	**14,909**	**27,135**	**31,584**	**34,362**	**45,063**
Revenue growth (%)	-	82.0	16.4	8.8	31.1
EBITDA	**606**	**1,406**	**2,582**	**3,164**	**4,108**
EBITDA growth (%)	-	132.2	83.7	22.5	29.8
Depreciation & Amortization	441	483	508	642	752
EBIT	**165**	**923**	**2,048**	**2,436**	**3,284**
EBIT growth (%)	-	460.6	121.9	19.0	34.8
Other operating income	-	-	-	-	-
Other income	235	335	228	324	336
Financial expense	413	466	652	833	992
PBT	**(13)**	**791**	**1,624**	**1,927**	**2,628**
Extraordinary items	127	67	135	(6)	46
Taxes	(61)	157	229	229	366
Minority interest	(2)	(20)	(37)	57	176
Income from JV/Associates	-	-	-	-	-
Reported PAT	**173**	**682**	**1,493**	**1,748**	**2,483**
PAT growth (%)	-	294.5	118.9	17.1	42.0
Adjusted PAT	**46**	**615**	**1,358**	**1,754**	**2,438**
Diluted EPS (Rs)	**1.1**	**14.2**	**31.3**	**40.3**	**53.1**
Diluted EPS growth (%)	-	1,228.4	121.0	28.4	31.8
DPS (Rs)	**0**	**5.0**	**7.5**	**17.5**	**11.5**
Dividend payout (%)	**0**	**31.8**	**21.8**	**43.6**	**21.3**
EBITDA margin (%)	4.1	5.2	8.2	9.2	9.1
EBIT margin (%)	1.1	3.4	6.5	7.1	7.3
Effective tax rate (%)	0	19.9	14.1	11.9	13.9
NOPLAT (pre-IndAS)	**-**	**739**	**1,759**	**2,146**	**2,827**
Shares outstanding (mn)	43	43	43	44	46

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25
Share capital	217	217	217	218	230
Reserves & Surplus	4,956	5,773	7,008	7,802	11,327
Net worth	**5,172**	**5,989**	**7,225**	**8,020**	**11,557**
Minority interests	129	159	203	154	(92)
Non-current liab. & prov.	(37)	38	181	50	81
Total debt	**3,985**	**6,446**	**5,577**	**5,884**	**7,730**
Total liabilities & equity	**9,564**	**12,958**	**13,240**	**14,294**	**19,295**
Net tangible fixed assets	-	-	-	-	-
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	470	152	331	349	440
Goodwill	176	180	192	219	223
Investments [JV/Associates]	474	499	542	300	243
Cash & equivalents	**1,170**	**1,498**	**2,945**	**3,665**	**5,664**
Current assets (ex-cash)	6,438	10,969	8,667	9,124	11,915
Current Liab. & Prov.	3,329	4,839	4,553	5,536	6,597
NWC (ex-cash)	**3,109**	**6,130**	**4,114**	**3,589**	**5,318**
Total assets	**9,564**	**12,958**	**13,240**	**14,294**	**19,295**
Net debt	2,814	4,948	2,633	2,219	2,066
Capital employed	9,564	12,958	13,240	14,294	19,295
Invested capital	**7,013**	**10,606**	**9,117**	**9,704**	**12,586**
BVPS (Rs)	119.4	138.2	166.7	184.0	251.6
Net Debt/Equity (x)	0.5	0.8	0.4	0.3	0.2
Net Debt/EBITDA (x)	4.6	3.5	1.0	0.7	0.5
Interest coverage (x)	1.0	2.7	3.5	3.3	3.6
RoCE (%)	**4.3**	**11.5**	**17.8**	**20.4**	**21.8**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25
PBT (ex-other income)	114	858	1,758	1,921	2,673
Others (non-cash items)	608	762	678	1,359	1,497
Taxes paid	(35)	(77)	(231)	(210)	(316)
Change in NWC	386	(2,392)	1,577	445	(2,052)
Operating cash flow	**946**	**(915)**	**3,648**	**3,521**	**1,764**
Capital expenditure	(260)	(396)	(257)	(1,281)	(1,035)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(260)**	**(396)**	**(257)**	**(1,281)**	**(1,035)**
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	-	-	-	-	-
Payment of lease liabilities	-	-	-	-	-
Interest paid	-	-	-	-	-
Dividend paid (incl tax)	-	-	-	-	-
Others	(619)	1,533	(1,998)	(1,521)	1,011
Financing cash flow	**(619)**	**1,533**	**(1,998)**	**(1,521)**	**1,011**
Net chg in Cash	67	221	1,393	718	1,740
OCF	946	(915)	3,648	3,521	1,764
Adj. OCF (w/o NWC chg.)	560	1,477	2,071	3,076	3,816
FCFF	686	(1,311)	3,391	2,240	729
FCFE	686	(1,311)	3,391	2,240	729
OCF/EBITDA (%)	156.2	(65.1)	141.3	111.3	42.9
FCFE/PAT (%)	396.9	(192.4)	227.2	128.1	29.4
FCFF/NOPLAT (%)	**-**	**(177.3)**	**192.7**	**104.4**	**25.8**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY21	FY22	FY23	FY24	FY25
P/E (x)	408.7	103.6	47.3	40.6	30.2
EV/CE (x)	7.7	5.8	5.5	5.0	3.9
P/B (x)	13.7	11.8	9.8	8.9	6.5
EV/t (USD)	-	-	-	-	-
EV/EBITDA (x)	117.5	52.1	27.5	22.4	18.1
EV/EBIT(x)	432.5	79.5	34.7	29.1	22.7
EV/IC (x)	10.2	6.9	7.8	7.3	5.9
FCFF yield (%)	1.0	(1.8)	4.8	3.2	1.0
FCFE yield (%)	0.9	(1.8)	4.5	3.0	1.0
Dividend yield (%)	0	0.3	0.5	1.1	0.7
DuPont-RoE split					
Net profit margin (%)	0.3	2.3	4.3	5.1	5.4
Total asset turnover (x)	1.6	2.4	2.4	2.5	2.7
Assets/Equity (x)	1.8	2.0	2.0	1.8	1.7
RoE (%)	**0.9**	**11.0**	**20.6**	**23.0**	**24.9**
DuPont-RoIC					
NOPLAT margin (%)	0	2.7	5.6	6.2	6.3
IC turnover (x)	2.1	3.1	3.2	3.7	4.0
RoIC (%)	**-**	**8.4**	**17.8**	**22.8**	**25.4**
Operating metrics					
Core NWC days	76.1	82.5	47.5	38.1	43.1
Total NWC days	**76.1**	**82.5**	**47.5**	**38.1**	**43.1**
Fixed asset turnover	3.8	6.5	6.7	6.2	6.7
Opex-to-revenue (%)	44.4	39.1	40.2	41.4	38.2

Source: Company, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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