PL Capital
PRABHUDAS LILLADHER
INSTITUTIONAL EQUITIES

INITIATING COVERAGE
June 2026

Pearl Global Industries (PGIL IN)

A Multi-Country Platform Built for the New World

Rating: BUY | CMP: INR 1,666 | TP: INR 2,070

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Key Data	PGIL.BO | PGIL IN
BSE Code	532808
NSE Code	PGIL
52-W High / Low	INR 1,993 / INR 1,178
Face Value	5
Sensex / Nifty	74,243 / 23,367
Market Cap	INR 77 bn / $ 810 mn
Shares Outstanding	46.18 mn
3M Avg. Daily Value	INR 135.00 mn

Shareholding Pattern (%)

Promoters	61.16
FIIs	6.49
Mutual Funds	18.34
Domestic Institutions	0.47
Public & Others	13.55
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	8.5	6.8	4.4	18.1
Relative	12.5	15.1	20.5	29.5

Key Financials - Consolidated

Y/e Mar	FY25	FY26	FY27E	FY28E
Sales (INR mn)	45,063	50,246	55,918	63,538
EBITDA (INR mn)	4,036	4,639	5,715	6,874
Margin (%)	*9.0*	*9.2*	*10.2*	*10.8*
PAT (INR mn)	2,523	2,766	3,329	4,344
EV (INR mn)	78,483	78,597	77,055	74,785
Total Debt (INR mn)	7,730	9,428	8,428	7,928
C&C Eq. (INR mn)	5,100	7,044	7,586	9,356
EPS (INR)	54.9	59.9	72.1	94.1
Gr. (%)	*37.4*	*9.1*	*20.4*	*30.5*
DPS (INR)	12.0	15.0	14.4	18.8
Yield (%)	*0.7*	*0.9*	*0.9*	*1.1*
RoE (%)	*25.8*	*21.1*	*20.9*	*22.9*
RoCE (%)	*19.8*	*17.4*	*18.8*	*20.9*
EV/Sales (x)	1.7	1.6	1.4	1.2
EV/EBITDA (x)	19.4	16.9	13.5	10.9
PE (x)	30.3	27.8	23.1	17.7
P/BV (x)	6.6	5.3	4.5	3.7

A Multi-Country Platform Built for the New World

Quick Pointers

- Capacity expansion to drive volume growth
- Tariff reduction and new FTAs to favor Indian players
- Revenue growth to boost earnings/cashflow

PGIL is a global manufacturer and exporter of Ready-Made Garments (RMG), counting several leading fashion brands among its clients. The company is on a clear growth path driven by 1) diversified geographic presence; 2) timely and strategic expansion of its manufacturing capabilities; 3) favorable global trade dynamics; and 4) efficiency gains arising from cost optimization and other sustainability initiatives. It targets to increase the capacity by 50% or more compared to FY24, to reach 120-130mn pieces by FY28. We expect revenue/EBITDA/PAT to grow at ~12%/22%/25% CAGR over FY26-28E primarily driven by the capacity addition, and improved utilization. Given the well-timed capacity expansion along with improved utilization, volume-driven revenue growth, improving margin profile and superior capital returns relative to close peers, we initiate coverage on PGIL with 'BUY' and TP of INR2,070.

Diversified manufacturing capacities: PGIL has manufacturing bases across major textile hubs in Asia (India, Bangladesh, Vietnam and Indonesia), along with a production base close to the US (i.e., Guatemala). This diversified presence differentiates it from other Indian competitors, which have limited overseas presence, and positions it as ideal supplier for major global customers looking to derisk their supply chains.

In-house capacity expansion supported by partnership model: PGIL continues to invest in its manufacturing capacities, with in-house capacity expected to expand at a 9% CAGR over the next 2 years. These capabilities are enhanced by 9 partnerships facilities (contributed to ~25% of revenue in FY26) which lowers capex requirements and accelerates scalability.

New growth avenues opening up: PGIL has taken steps to reduce the dependence on the US and diversify into new geographies and customers. India's recent trade deals, including with the UK and the EU, are expected to create new growth opportunities for Indian textile companies. The EU is India's second-largest export destination, and its total global imports of textiles and apparel stood at US$263.5bn in 2024, highlighting the scale and long-term potential of the EU market for Indian textile exporters. The Government of India is also taking measures (such as PLI schemes and textile parks) to facilitate the growth. Similar regulatory support is also observed in Bangladesh and Vietnam, where PGIL has strong presence.

Well-defined growth roadmap: PGIL's strategic expansion coincides with the expected momentum at the industry level (FTAs, regulatory push, etc.). PGIL has set clear financial targets, i.e., INR60bn revenue, volume above 100mn pieces, and EBITDA margin expansion to 11-12% by FY28, which underpins a credible multi-year growth story.

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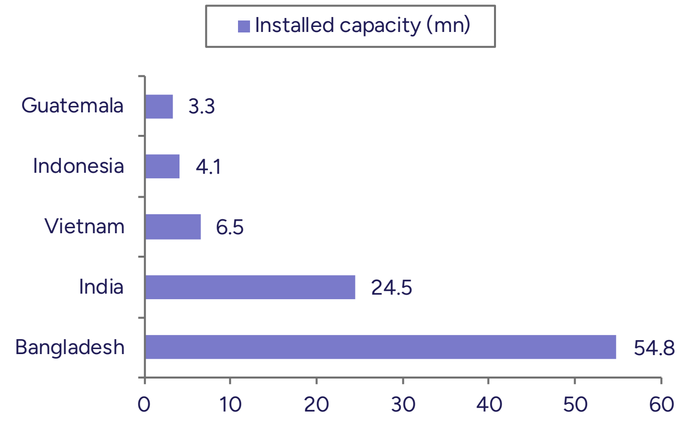
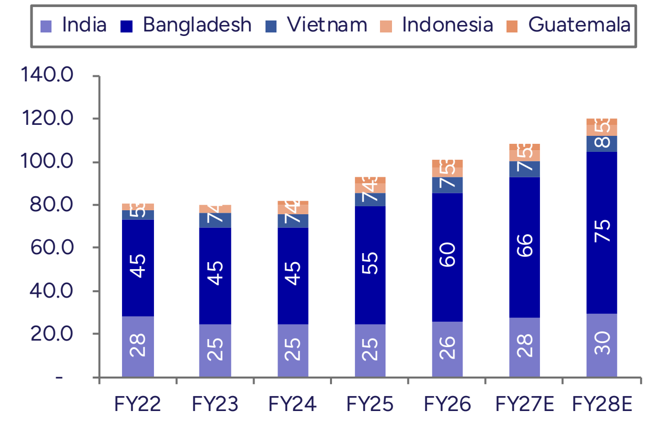
Story in Charts

Exhibit 1 : Manufacturing presence across major global textile hubs



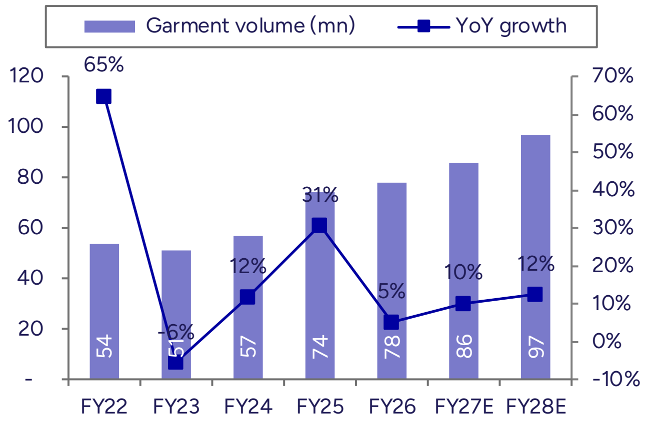
Source: Company, PL

Exhibit 2 : Capacity expansion coinciding with industry tailwinds



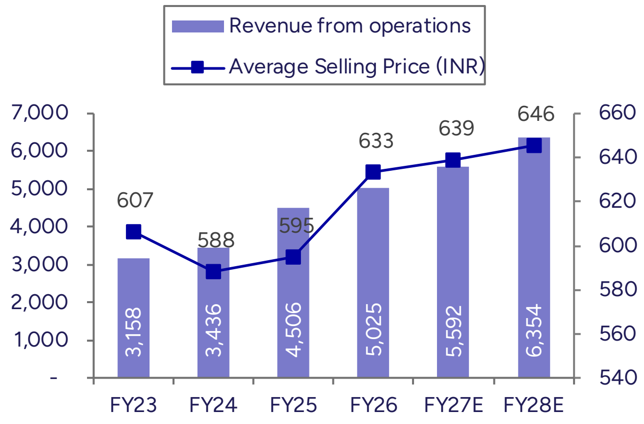
Source: Company, PL

Exhibit 3 : Volume growth to regain momentum



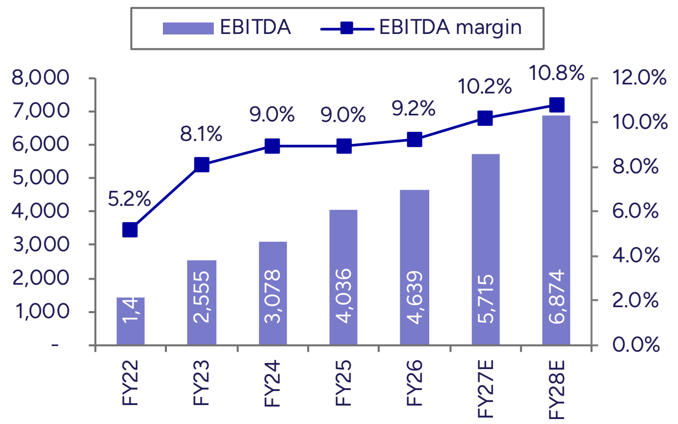
Source: Company, PL

Exhibit 4 : Revenue growth aided by healthy realization



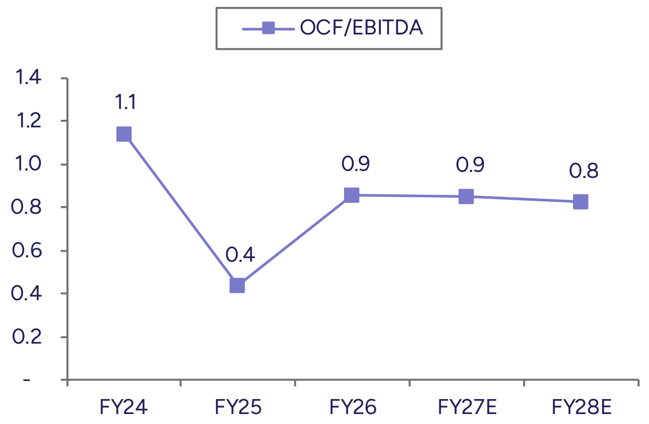
Source: Company, PL

Exhibit 5 : EBITDA margin improving



Source: Company, PL

Exhibit 6 : Healthy EBITDA to OCF conversion



Source: Company, PL

Company Overview

PGIL: Leading exporter of apparels in India

A leading apparel manufacturer with multi-country presence and end-to-end capabilities

PGIL is global designer and manufacturer of apparels. Founded in 1987 by Dr. Deepak Kumar Seth with a single export order of 6,000 shirts, PGIL has grown into a multinational company employing over 28,400 people across 25 manufacturing units (including partnership facilities). As of FY26, it had an annual capacity of 101mn pieces, supported by ~100 designers.

With presence across 10 countries, the company supplies marquee global brands, including Inditex (Zara), Aritzia, PVH Corp (Tommy Hilfiger, Calvin Klein), Polo Ralph Lauren, Kohl's, PVH, Inditex, GAP, Old Navy, Macy's, Muji, Talbots, Walmart, Big W, and Target.

Exhibit 7 : **25 manufacturing facilities spread across 5 strategic geographies**

Source: Company, PL

PGIL's product portfolio is highly diversified, covering almost every major segment of the garment industry for men, women and children. A large portion of its business comes from producing woven apparels, It also manufactures a wide range of lightweight and heavyweight knitted garments.

Exhibit 8 : **Clothing categories**

Gender	Wovens	Knits
Women	Tops, Shirts, Long Shirts, Dresses, Sleepwear, Hoodies, Leggings	Dresses, Tops, Skirts, Sweaters, T-Shirts, Joggers
Men	Shirts, Polo T-shirts, Sleepwear, Pyjamas	T-Shirts, Hoodies
Boys	Shirts	T-shirts, Two-Piece Sets
Girls	Tops, Skirts, Dresses	T-Shirts, Skirts, Dresses, Rompers, Tank Tops
Toddlers		Rompers

Source: Company, PL

The company's offerings also include denims and specialized categories, e.g., sleepwear, loungewear, active wear and athleisure. The company's initiatives like water-saving denim technology and adoption of green energy, align well the increasing global preference for sustainable fashion products.

Exhibit 9 : **Produces a wide range of RMGs**

Source: Company, PL

PGIL generates majority of its revenue from woven garments, for example, in FY25, ~52% of the products sold by the company were woven. The share of woven products in overall revenue stood at a comparatively higher level of ~72%. Additionally, PGIL focuses on high-value products with complex designs and superior quality, leading to higher overall realization. This also leads to a comparatively higher EBITDA/piece.

Exhibit 10 : **Revenue and EBITDA per piece fall in higher range (estimated)**

Company	Realization/piece	EBITDA/piece	Products
PGIL	~INR640	~INR65, based on 10% EBITDA margin	Knits and woven garments across categories, including denims
Gokaldas Exports	~INR640	~INR70, based on 11% EBITDA margin	Knits and woven garments across categories, including technical outerwear
KPR Mills	~INR175	~INR40 in FY24, based on 24% EBITDA margin	100% knit garments, in multiple categories
SP Apparels	INR130-140 (net basis)	INR22-24 based on 17% EBITDA margin	Majority revenue from kids' clothes

Source: Company, PL **Note: The table may not reflect exact per piece numbers as several assumptions and estimations have been used due to lack of consistent data*

The company's manufacturing ability is well complemented by product design capabilities. While India serves as a strategic design and innovation engine, the company has its own design centers and/or marketing presence in New York, Hong Kong, UK, Spain and Dubai. It has a global network of skilled apparel designers, allowing it to tap into local cultural insights and global fashion trends, delivering collections that are both market relevant and globally resonant. This enhances the company's ability to serve a wide range of customer needs and sustain growth in the long run by proactively anticipating trends and co-create collections that are culturally attuned, commercially viable, and globally scalable.

Industry Overview

Industry value chain

Globally, the textiles industry plays a critical role at each stage of life, from being a source of livelihood to driving fashion trends across boundaries. The industry can be broken down into stages, with each stage being significant to the global economy.

Textile production begins with upstream raw material production, where natural fibers (like cotton and wool) are harvested or synthetic polymers (like polyester and nylon) are synthesized. The next stage involves capital-intensive processes such as spinning fibers into yarn, weaving or knitting yarn into fabric, and dyeing & finishing. The final downstream stage is the most labor-intensive, focusing on garment assembly and apparel manufacturing before products are funneled through global logistics networks to retail markets.

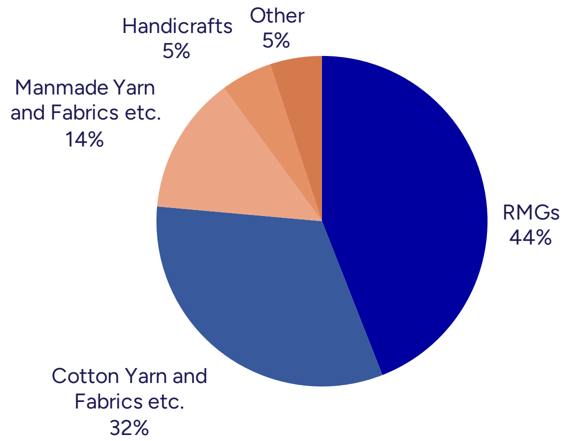
Exhibit 11 : Industry value chain and key participants

Source: PL

In terms of scale, the industry has seen robust growth, despite geopolitical shifts. According to a 2026 report by Coherent Market Insights, the global textiles market is estimated at US$2.28trn in 2026 and is slated to expand at a CAGR of 7.35% to US$4.02trn by 2034.

The sector is heavily dominated by the Asia-Pacific region, which accounts for over 50% of the global market share, led by manufacturing powerhouses like China, India and Bangladesh. Within the product segments, apparel remains the largest category, capturing roughly 30% of the market, while technical textiles—used in automotive, medical, and construction sectors—is the fastest-growing niche category due to rapid industrial innovation.

Exhibit 12 : India's textile exports dominated by RMGs (FY26)



Source: Company, PL

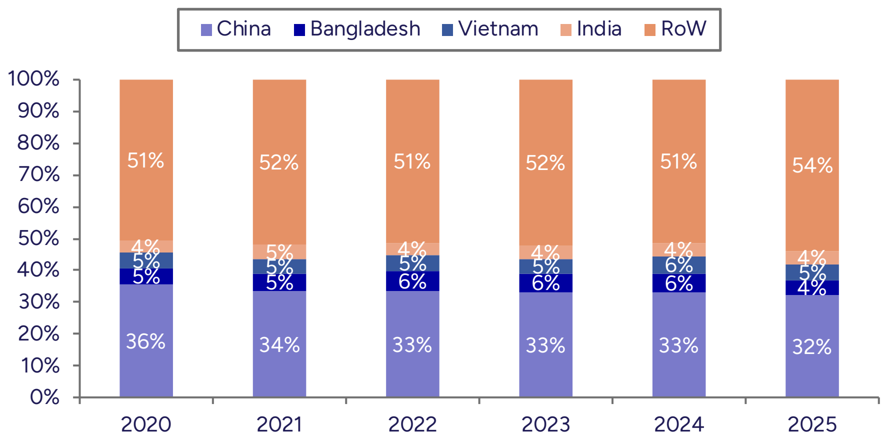
Asia has an inherent edge in Textile Manufacturing, India set to capitalize the opportunity

The textiles value chain, like other industries, is currently transitioning toward a digital and sustainable ecosystem. While this is particularly difficult given the labor-intensive nature and concentration in less developed regions, rising consumer demand and tightening regulations are driving the shift toward a more sustainable model. This emphasizes the use of recycled fibers and bio-fabricated materials to mitigate the environmental footprint of "fast fashion."

Asia – Global textile manufacturing hub

Asia-Pacific stands as the undisputed epicenter of the global textiles industry, controlling more than 50% of global output as of 2025 (as per Coherent Market Insights). The region's dominance is anchored by availability of skilled labor, massive manufacturing infrastructure, integrated supply chains, and a shift toward high-tech automation.

Exhibit 13 : Top 4 Asian countries account for ~50% of global textile exports



Source: Company, PL

The Asia-Pacific region is expected to continue dominating the global textiles market. Growth is expected to be fueled by a cluster of manufacturing powerhouses:

- China remains the global leader, holding ~33% share of global textile exports. It is particularly dominant in synthetic fibers, which account for nearly half of its regional market volume.

- Bangladesh and Vietnam have emerged as critical hubs for apparels, ranking among the top 5 global exporters with trade values of close to US$50bn each.

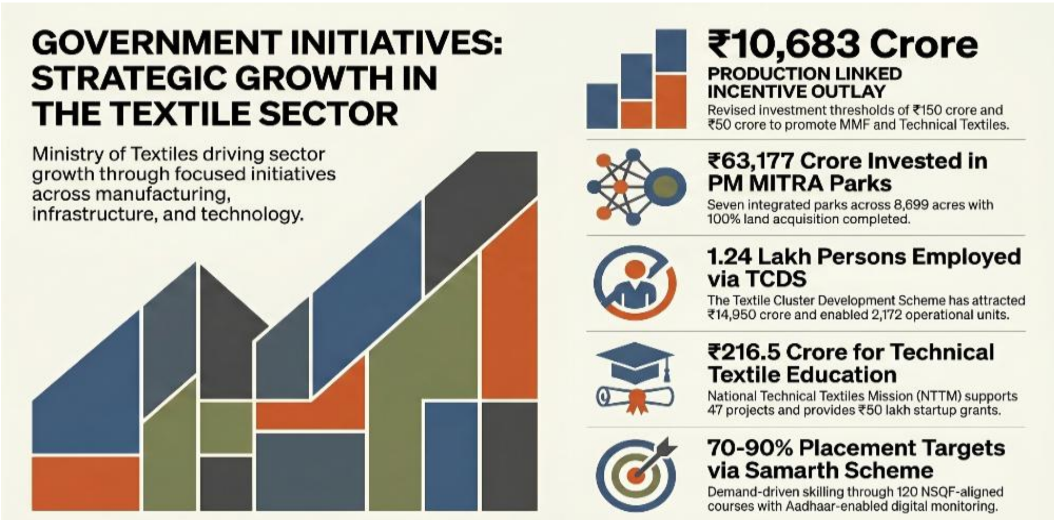
- India is rapidly expanding its global footprint, with specific focus on cotton production and high-value technical textiles. It is the 6th largest exporter of Textiles & Apparel in the world, with a 4.6% share of the global trade.

India – Striving to become a global leader

India's textiles industry is undergoing a structural shift, moving from a fragmented, labor-intensive model to an integrated, high-tech manufacturing hub. According to the India Brand Equity Foundation (IBEF), India accounts for 4.6% of the global trade in textiles and apparels. It is the world's second-largest producer of textiles and garments and the sixth-largest exporter of textiles spanning apparel, home and technical products. The US and EU are the major export destinations, together contributing around ~49% of India's total textile and apparel exports.

IBEF estimates the domestic textiles and apparels market at US$225bn as of 2025 and projects it to grow at 11.9% CAGR to reach US$647bn by 2033. Indian textiles industry is also expected to be a key beneficiary of the "China plus one" strategy, under which global brands are diversifying their supply chains.

Exhibit 14 : Textiles industry forms a major part of India's growth ambitions



Source: Company, PL

Investment Arguments

Well-diversified manufacturing footprint

Geographic diversification provides PGIL a strategic advantage

While rising geopolitical tensions are prompting global fashion brands to de-risk their supply chains by sourcing from multiple countries, they are also focusing on rationalizing supplier bases. Rather than managing a large number of vendors, they are looking to build strategic partnerships with suppliers who can offer multi-country sourcing, regulatory compliance, and scalable capacity

PGIL's multi-country presence, is a highly defensible competitive moat, making it a preferred long-term supplier for major retailers. The company operates 25 manufacturing facilities across 5 countries, with total capacity of ~101mn pieces as of FY26, and targets to reach 120-130mn pieces by FY28. Each geography serves a distinct strategic purpose in the overall tariff and demand matrix.

Exhibit 15 : PGIL's manufacturing facilities across major textile hubs

Location	No. of manufacturing units		Capacity utilization % (blended) FY26	Annual capacity (mn pieces) FY26	Specialization
	In-house	Partnership			
India	8	-	62%	25.9	Woven and knit products, including tops, bottoms and dresses, women's fashion wear, men's wear and kids' wear
Bangladesh	4	5	85%	59.7	Woven, knits, denim, sleepwear and loungewear, active wear & athleisure, tops and bottoms for men, women and kids
Vietnam	1	4	80%	7.1	Outerwear and jackets, including down jackets, woolen jackets and coats, seam-sealed jackets, puffers, parkas, blazers, anoraks, swimming trunks, and synthetic bottoms
Indonesia	2	-	47%	4.8	Women's professional wear, performance wear, activewear, woven tops & dresses, sleepwear and loungewear
Guatemala	1	-	90%	3.3	Polos, heavy-/light-weight knits
Total	**16**	**9**	**77%**	**100.8**	

Source: Company, PL

- India contributes to ~22% of PGIL's total revenue, with a run-rate of INR11bn and potential to scale to INR16bn+. With manufacturing units located across key hubs such as Gurugram, Chennai and Bengaluru. India remains a central pillar in PGIL's growth journey.

- Bangladesh remains PGIL's largest and most profitable geography, contributing around 59% of volume at 85% utilization. Duty-free EU and UK access has historically provided the country a 12-percentage point cost advantage over Indian competitors on European orders. While the global trade dynamics are changing (e.g., India entering FTAs that may reduce/eliminate the difference), Bangladesh operations continue to benefit from availability of skilled & cost-effective labor and a highly efficient textile ecosystem in the country.

- PGIL's Vietnam operations serve as a strategic hub for high-end outerwear production, delivering high-quality output aligned with the requirements of global luxury brands. PGIL has 1 owned unit and 4 long-term partner facilities in Vietnam, with annual capacity of 7.1mn pieces; and plans to add more capacity are underway.

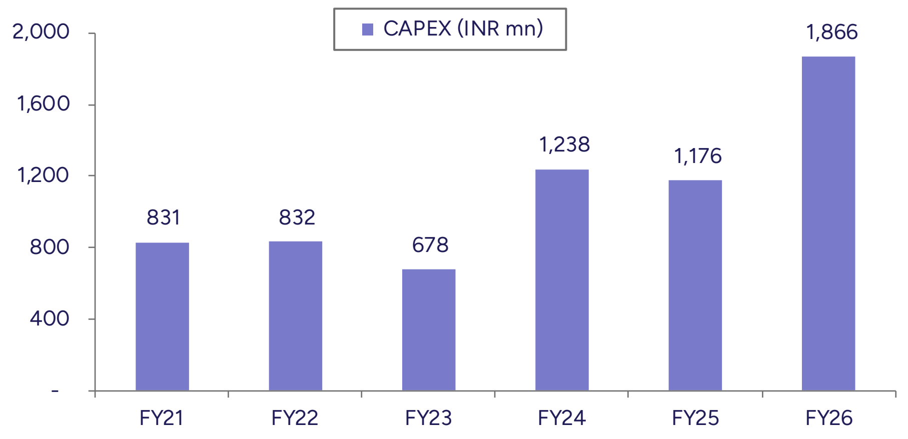
- Indonesia plays a critical role in PGIL's international expansion strategy given its strategic location. The company has an annual production capacity of 4.8mn pieces in Indonesia, which can be doubled without significant additional investment. As of now, PGIL is focusing on improving the utilization in Indonesia.

- Guatemala's strategic location is a structural advantage. 0% US tariff access under CAFTA-DR and ~1-week delivery time to US retailers enable nearshoring economics that no Asian manufacturer can replicate.

Ongoing capacity expansion to support volume growth

Capacity expansion is expected to drive the next leg of growth for PGIL. The company has scaled up its production capacity from 66mn pieces in FY17 to 101mn pieces in FY26, supported by both in-house expansion and partner facilities. The increase in capital intensity has been particularly prominent in the past 3 years, spending ~INR1,866mn in FY26, which is more than 2.75 times compared to FY23.

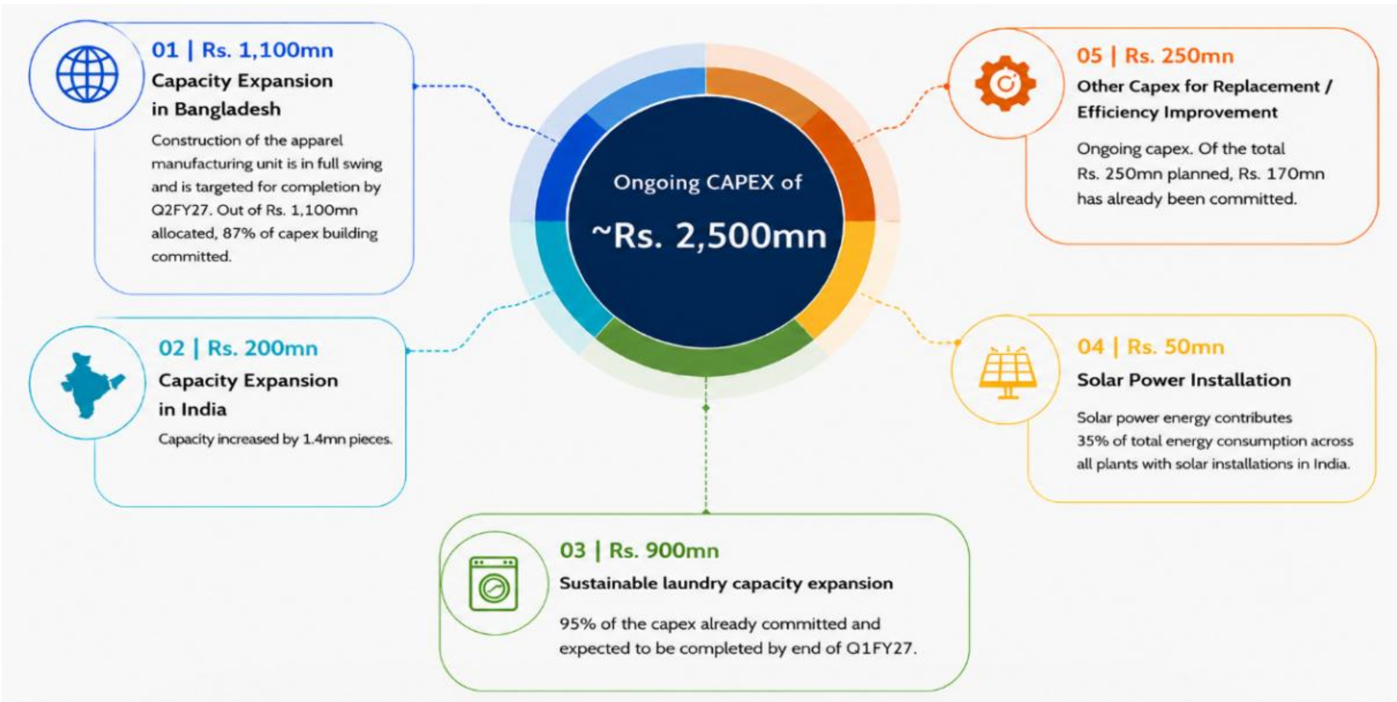
Exhibit 16 : Steady rise in capex to fuel future growth



Source: Company, PL

FY26 capex is part of the INR2,500mn capex program undertaken by the company aimed at unlocking higher volume, lowering costs, and improving profitability, which is on track to completion by the first half of FY27. As part of the ongoing plan, PGIL aims to increase production capacity from 101mn pieces to 120-130mn pieces by FY28. With utilization levels rising and robust growth visibility, the management has indicated the possibility of undertaking further expansion in the coming quarters.

Exhibit 17 : Steady rise in capex to fuel future growth



Source: Company, PL

This strategic expansion is aimed at leveraging unique moats in each geography, leading to an all-round growth. While India is expected to regain momentum with favorable trade dynamics, Bangladesh continues to post stellar growth. The company's capex plan appears to be well aligned with these expected changes in global trade dynamics. PGIL's country-specific expansion plans are as follows:

- In Bangladesh, construction of a new apparel manufacturing unit is in full swing, with completion targeted by Q2FY27. PGIL is expected to add another ~6mn pieces of capacity by FY27 (INR1,100mn allocation), targeting continued high utilization. The capacity is expected to be further expanded in FY28, reaching close to 75mn pieces as per our estimates.

Strategic expansion underway; capacity to grow at 9% CAGR over next 2 years

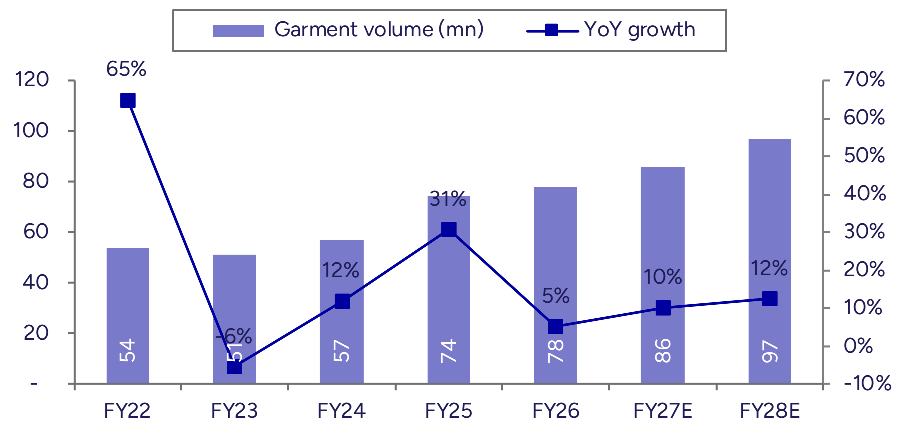
- In India, PGIL increased its capacity by 1.4mn pieces in FY26. The Bihar expansion has already been completed, and utilization is expected to improve as commercialization is in progress. We anticipate further capacity addition of ~3.6mn pieces by FY28 in India.

- PGIL is also looking to expand its capacity in Vietnam and Indonesia. Although relatively small, this capacity expansion will enable the company to attract more long-term partnerships.

- Furthermore, it is investing INR900mn an in-house laundry facility as part of its cost efficiency measures in Bangladesh. It has installed solar panels across 6 out of its 8 facilities in India with an investment of INR50mn. Solar power now accounts for ~35% of electricity consumption in these facilities. Another INR250mn is being utilized for capex related maintenance and enhancing efficiencies at the plant level.

Overall, we estimate the total capacity to increase to ~120mn pieces by FY28, i.e., lower end of the company's guided/targeted range of 120-130mn pieces. We also expect the utilization in India to reach over 80% and Indonesia to over 70%, leading to overall utilization of close to 80% or more. This will translate into healthy volume CAGR of 11% over the next 2 years and set the foundation for growth beyond FY28.

Exhibit 18 : **Volume growth driven by capacity addition**



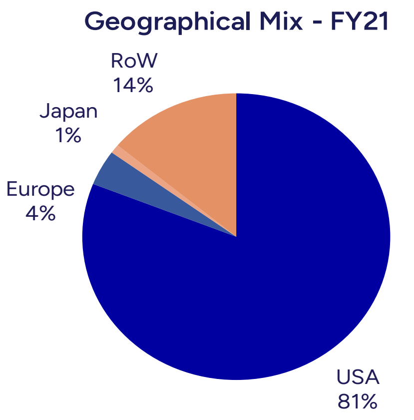
Source: Company, PL

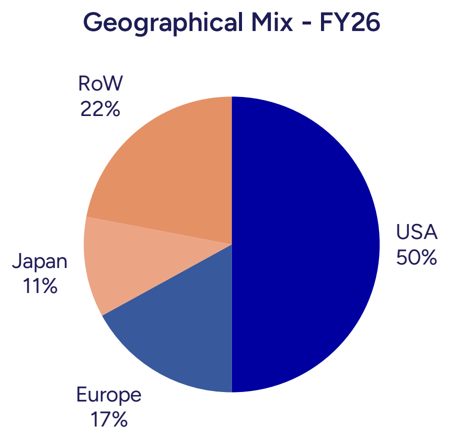
New opportunities emerge, reducing dependence on the US

Revenue from the US accounts for ~50% of overall revenue, a sharp decline from 80%+ range in FY21

PGIL has strategically pivoted away from heavy dependence on the US market by aggressively expanding its global manufacturing footprint. Historically, the US accounted for the lion's share of its revenue (80%+ in FY21), but the company has intentionally diversified into non-US geographies (EU, Japan, Australia, UK and Canada) to mitigate the risks associated with unilateral trade policies and economic shifts. This transition is evident in their recent financial performance, where the growth of overseas units has cushioned the impact of fluctuating demand and tariff pressures in the North American market.

Exhibit 19 : Reducing dependence on US (estimated numbers)

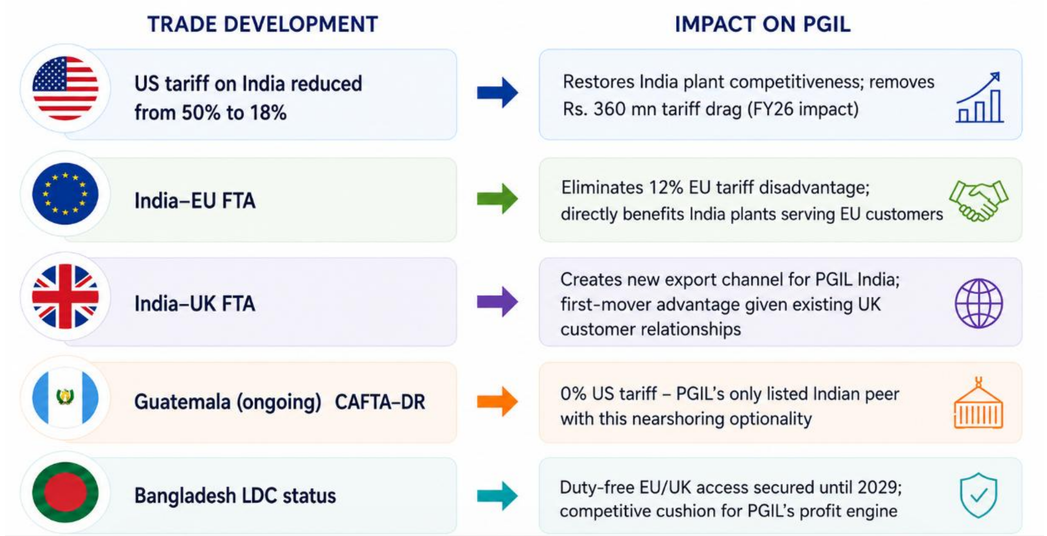




Source: Company, PL

Looking ahead, the landscape for PGIL appears increasingly favorable with the recent signing of the India-UK FTA, and the landmark India-EU FTA (in addition to other trade agreements with major economies like New Zealand and Australia).

Exhibit 20 : Favorable trade dynamics for Indian textiles



Source: Industry, PL

These agreements are expected to be transformative, providing zero-duty access to 2 of the world's largest apparel markets. For an exporter like PGIL, which already has established presence in these regions, the removal of 9-12% tariff difference will significantly improve competitiveness of its India operations in line with countries like Bangladesh and Vietnam.

Exhibit 21 : Early indications of growth from European region

FTA, we anticipate higher volumes, increased sourcing from India, and renewed growth in our Indian operations from financial year 27 onwards, which were impacted last year mainly because of U.S. tariffs. We already have a very significant existing business with customers of European Union and United Kingdom who are keen to place business in India as well.

Source: PGIL Earnings Transcript Q4FY26, PL

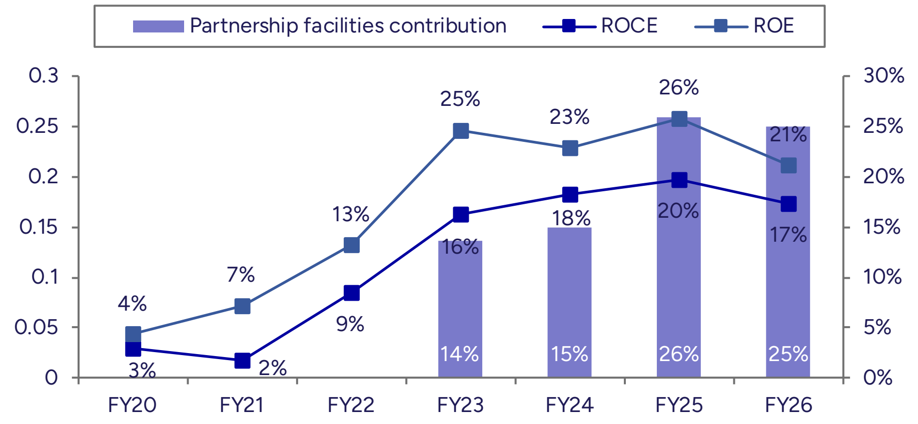
Management commentary indicates a positive momentum supporting incremental volume growth from FY27, as these trade deals allow the company to capture a higher share of the European value chain while further de-risking its global portfolio from US-centric volatility.

Comparatively higher capital returns

Unlike traditional garment exporters that manufacture through fully owned factories, PGIL also runs a hybrid model. In the partnership model, PGIL provides working capital and handles design, execution and fabric sourcing, while ensuring optimal use of partner facilities. The partner handles capex and works on a per-piece contract basis. PGIL consciously chooses the partnership model while adding initial capacity in a region, and switches to own investments once share of the partner factory crosses a certain threshold.

This model enables quicker capacity planning and expansion, ensures facilities are near supply chain areas, and keeps PGIL asset-light, thereby enhancing return ratios. The company has aggressively pursued this strategy since FY23, prior to which the contribution from partnership firms was negligible.

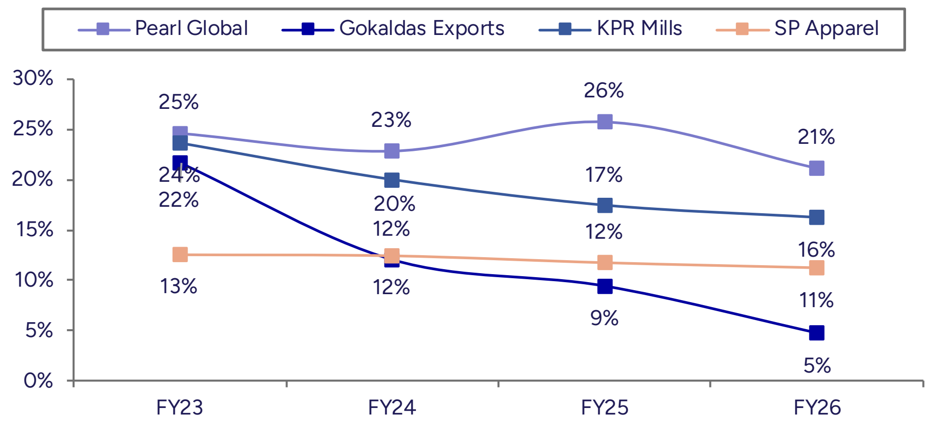
Exhibit 22 : Increase in production from partnership firms coinciding with higher capital returns trajectory



Source: Company, PL

This outsourcing enables significantly faster scalability (no greenfield lead times), a lower fixed cost base, and superior return ratios relative to peers. This model also reduces capex intensity and is the core reason PGIL ROE remains elevated at 21%+ levels, versus a sub-16% range for most garment peers. It drives growth without putting stress on the balance sheet, while maintaining high returns on capital and financial flexibility. These improvements have enabled reduced borrowing costs and easier access to new lines of credit, enabling the company to reinvest cash generated in capacity, innovation, sustainable practices and steady dividend payout.

Exhibit 23 : PGIL generates higher ROE compared to peers



Source: Company, PL

Additionally, PGIL has also made investments in renewable energy production and other cost saving initiatives such as the sustainable laundry facility in Bangladesh. These initiatives are expected to generate tangible cost savings over the long run. The resultant cost savings coupled with increasing capacity utilization are likely to lead to superior returns at operational as well as RoCE/RoE level going ahead.

Preferred partner for leading brands worldwide

Global retailers are looking to build next-gen supply chains, and PGIL fits the bill

Major global apparel retailers outsource manufacturing activity to regions where costs are low, primarily Asia. This heavy dependence on external suppliers means their margins and reputation are closely linked to reliability of their supply chains. These retailers have recognized the critical nature of the risks associated with the supply chain and have taken steps in recent years to mitigate the same. Their sourcing strategies put heavy emphasis on supplier capabilities as well as the regional factors such as raw material availability, transport and tariffs. PGIL appears to be an ideal single-point partner that has presence across major manufacturing hubs.

Exhibit 24 : What global apparel brands want from their suppliers

Source: Company, PL

Besides diversified geographic presence, PGIL also meets other strategic preferences of retailers. As global retailers look to make their supply chains resilient, they are increasingly focusing on suppliers that

- are digitally enabled,
- have strong compliance mechanisms,
- are adopting sustainable practices,
- have scalable operations,
- offer a broad range of products, and
- hold end-to-end (design to delivery) capabilities.

Backed by decades of experience and steered by a new-age management team, the company has taken steps to position itself as a strategic partner. PGIL strategically targets customers that are gaining market share and show robust financial strength. The company has continued to gain new customers and secured partnerships with 3 major clients in FY26.

What retailers are saying about their sourcing strategies

Aritzia Inc., Management's Discussion and Analysis, FY ended March 1, 2026

"We continue to monitor and diversify our supplier base, taking into consideration the geo-political and economic environment to mitigate risk. "Next Generation Suppliers" are finished goods partners that have implemented succession planning as part of their strategy, are digitally enabled, manufacture multiple categories of materials and products and have multiple country of origin footprints and investments in automation. We leverage our "Next Generation Supplier" relationships by using their multi origin footprint to pivot as geopolitical obstacles arise without interrupting our product lifecycle."

Ralph Lauren, annual report, FY ended March 29, 2025

"Approximately 300 different suppliers worldwide produce our apparel, footwear & accessories, and home products, with no one supplier providing more than 5% of our total products (by dollar value) during Fiscal 2025… Management continually monitors political, economic, social, environmental, trade, and labor risks. We manage our exposure through, among other measures, by diversifying production among countries and suppliers and sourcing from countries with trade preferences."

Gap Inc, annual report, 2025

"Independent vendors manufacture almost all of our products outside of our principal sales markets. As a result, we are directly impacted by increases in the cost of those products, including costs to transport those products to our principal sales markets… A large portion of our global sourcing comes from a few specific countries. For example, in fiscal 2025, approximately 27 percent and approximately 21 percent of our merchandise, by dollar value, was purchased from factories in Vietnam and Indonesia, respectively."

Kohl's Corp, annual report, FY ended January 31, 2026

"The majority of goods we source are manufactured outside of the United States, primarily in Asia. Consequently, our business is subject to risks associated with foreign trade, including changes in trade policy… If we are unable to diversify our sourcing, divert production or sourcing away from specific countries to avoid tariffs, or successfully implement pricing actions to offset these costs, our gross margins, costs of merchandise sold, results of operations, and competitive position could be adversely affected."

PVH Corp, annual report, FY ended February 1, 2026

"Our products were produced in approximately 1,000 factories in approximately 30 countries during 2025 with most located in Asia… We continue to explore new areas of production that can grow with our businesses. Our country of origin strategy provides a flexible approach to product sourcing, which enables us to maximize regional opportunities and mitigate our potential exposure to risks associated with new duties, tariffs, surcharges, or other import controls or restrictions."

Macy's Inc, annual report, FY ended March 29, 2025

"We source certain of our private label products from factories in China, Vietnam, India, Indonesia, Jordan and other countries. Since 2017, the U.S. and China have been engaged in a trade dispute that has involved a number of actions against China including the imposition of tariffs on Chinese imports…These geopolitical, trade and investment tensions have created additional uncertainty and increased risk in doing business in China, including potential supply disruptions and higher costs of our products sourced or imported from China."

Financial Projections

Volume/Revenue to grow at 11%/12% CAGR over FY26-28E

Revenue to see double-digit growth, supported by higher volume and steady realization

We expect double-digit revenue CAGR over FY26-28E as:

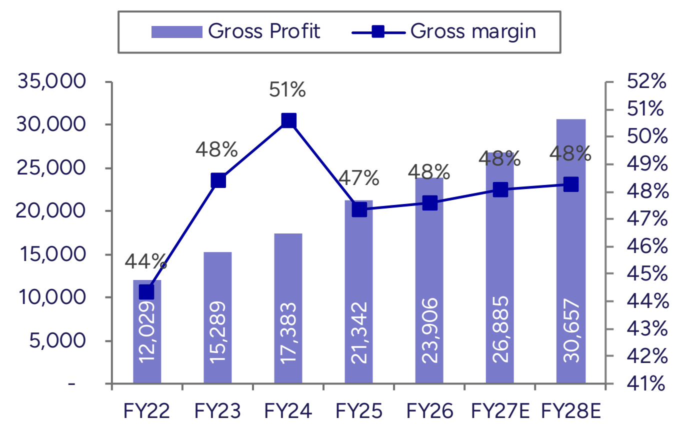
- Volume is expected to clock 11% CAGR. In absolute terms, we estimate the volume to grow to ~97mn pieces by FY28, compared to 78mn pieces in FY26.
- PGIL's India business was adversely impacted by the US tariffs in FY26, resulting in volume/revenue decline of 16%/10%, utilization levels dropping to 62%. With reduction in US tariffs and growth coming from recent/expected trade deals, India business is expected to gain momentum in FY27. Demand growth will be supported by higher utilization and a capacity addition of more than 3mn pieces over the next 2 years. Accordingly, we estimate India to contribute 44% of the incremental volumes over the next 2 years.
- 49% of the additional volumes are expected to come from Bangladesh, primarily driven by capacity additions of more than 15mn pieces. Despite India becoming competitive with new trade deals, Bangladesh operations are expected to remain competitive due to the country's highly efficient textile ecosystem.
- PGIL's average realization for FY26 was INR635-640 per piece. A favorable product mix and input-driven price hikes are expected to lead to a moderate CAGR growth of 1% in realization over the next 2 years.

The management is pursuing a volume target of 100mn pieces per annum, with realization above INR600/piece (set in 2023), leading to revenue of INR60bn by FY28. The company's current trajectory (volume and realization) indicates that it is well ahead of this target, and the management has alluded to the possibility of surpassing this target. While we build a conservative estimate on volume front, estimating ~97mn pieces in FY28, we estimate revenue CAGR of 12% over FY26-28E supported by steady/slightly higher realization.

EBITDA margin

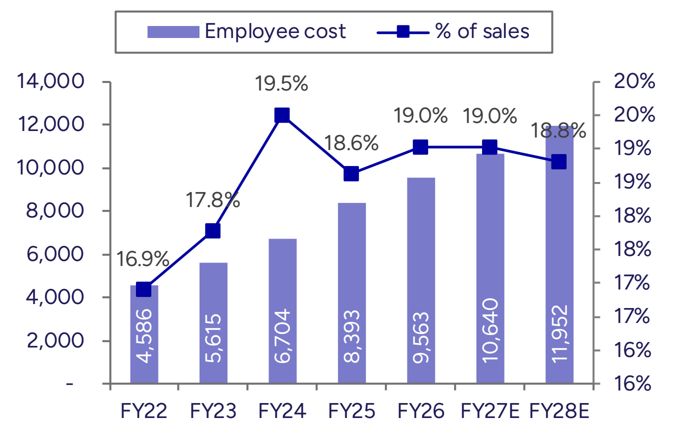
PGIL's EBITDA stood at INR4,640mn, and EBITDA margin at 9.2%. EBITDA margin was impacted by the reciprocal US tariff (INR360mn) and stabilization costs in Bihar/Guatemala (INR130mn). Excluding these factors, EBITDA margin would have been 10.2%. Going ahead, EBITDA margin is expected to improve due to reducing impact of the US tariffs, steady/slightly improved realization, operating leverage, cost efficiency measures, and adoption of in-house renewable energy.

Exhibit 25 : Gross margin to improve marginally



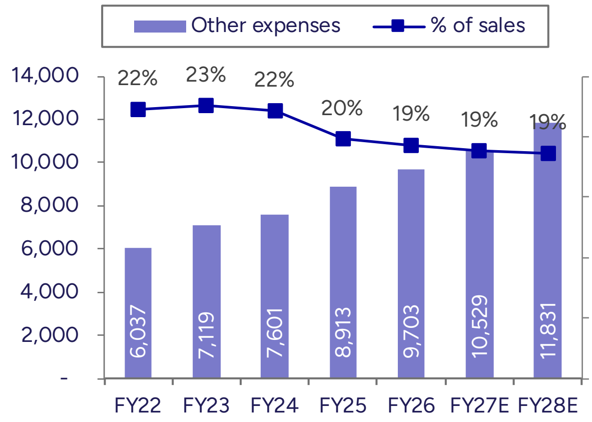
Source: Company, PL

Exhibit 26 : Limited improvement in employee costs



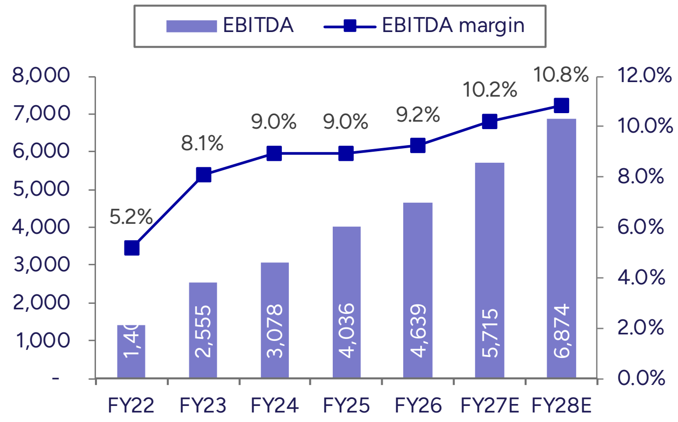
Source: Company, PL

Exhibit 27 : Other expenses to drop to 18.6% of sales



Source: Company, PL

Exhibit 28 : EBITDA margin to expand to 10.8%

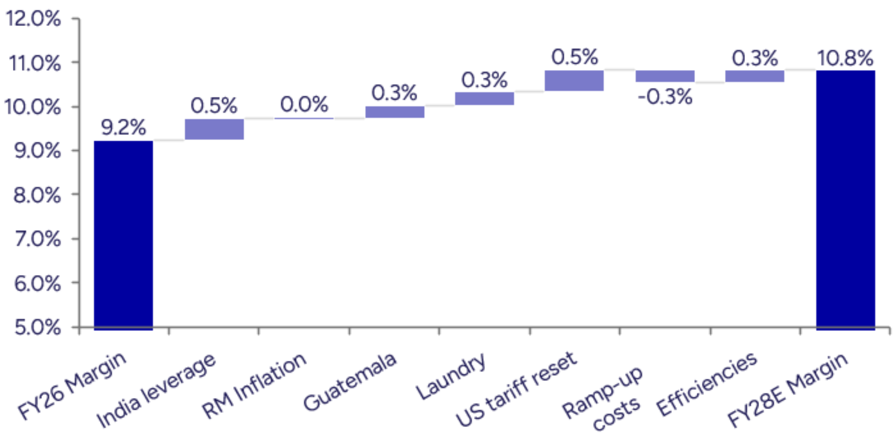


Source: Company, PL

EBITDA margin to improve as tariff impact eases and operating efficiencies kick-in

- The company generally fixes prices based on discussions with customers based on prevailing raw material prices, protecting itself from RM prices shocks. Accordingly, we expect the gross margins to remain stable or improve marginally due to better product mix.
- The company expects breakeven in FY27 in Guatemala and Bihar, where it is incurring gestation costs (INR130mn impact on EBITDA in FY26). Margins in India operations are also expected to improve starting FY27 as tariff related losses reduce, and the management expects India to generate returns comparable to other geographies over the medium term. Given these improvements and operational leverage, we estimate employee expenses and other expenses as percentage of revenue to drop to 18.8% and 18.6%, respectively.
- Overall, the management is targeting consolidated EBITDA margin in the 10-12% range. We estimate EBITDA margin to reach close to 11%, i.e., middle of the guided range by FY28.

Exhibit 29 : EBITDA margin bridge



Source: Company, PL

Steady working capital and PAT CAGR of 25%, leading to robust cash flows

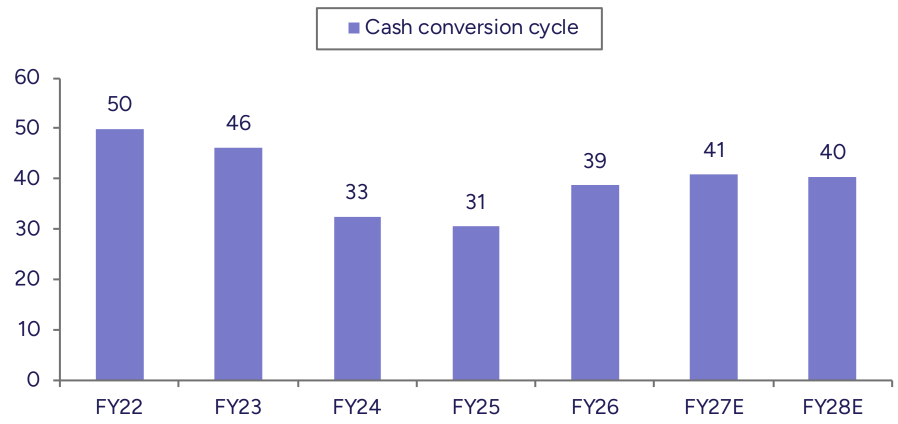
The company spent INR1,866mn on machinery in FY26, had a capital-work-in-progress of INR1,100mn as of FY26 end and is expected to incur more capex in Bangladesh. This will be capitalized over the next few quarters, leading to higher depreciation expenses. We also anticipate the finance cost to rise at a moderate rate, while other income is forecasted to move in tandem with the revenue.

PAT to grow at higher pace compared to revenue/EBITDA, supporting strong cash flow generation

While depreciation and interest expenses are estimated to rise, the growth in these expenses is expected to be slower than EBITDA growth. This is expected to support the PAT margin improvement, and we expect PAT CAGR of 25% over FY26E-28E

Cash conversion cycle stood close to 40 days as of FY26 end, which is the lowest compared to domestic and international peers. We anticipate the current working capital cycle to be optimal level and expect cash conversion cycle to remain around current levels going forward.

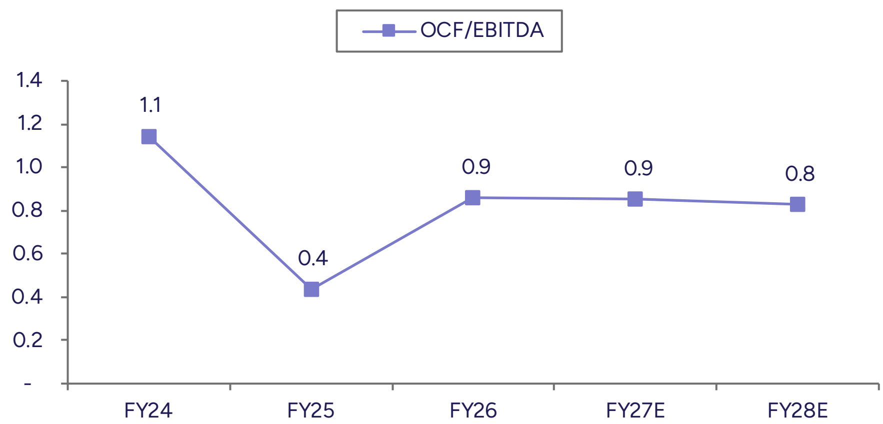
Exhibit 30 : Cash conversion cycle to remain stable over FY26-28E



Source: Company, PL

PGIL has consistently maintained a dividend payout ratio of 20% or more. Even after considering similar payout in future, PGIL is expected to accumulate over INR900mn cash by FY28E. This opens up meaningful optionality for a) accelerated capex if demand surprises; b) opportunistic acquisitions (e.g., distressed Bangladesh or Vietnam assets); c) debt repayment; or d) higher dividend payout.

Exhibit 31 : OCF conversion to remain above 80%



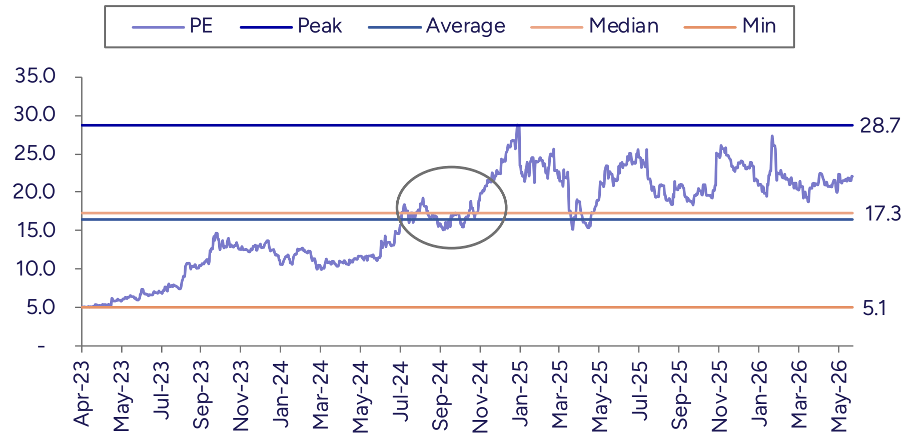
Source: Company, PL

Valuation

At CMP, PGIL trades at 17.7x FY28E EPS on a 1-year forward basis, which is close to the historical median PE of 17.3x for the last 3 years. However, the stock has seen significant re-rating since 2024 and has constantly traded above the median since then.

Stock consistently trading above 3-year median since mid-2024

Exhibit 32 : 1 year forward P/E band chart



Source: Company, PL

Going ahead, the company is expected to benefit from the enhanced capability to capture the expected increase in demand at industry level. The company's diversified geographic presence and end-to-end capabilities are likely to enable it to grow faster than the end market due to market share gains. We estimate revenue/EBITDA/PAT CAGR of 12%/22%/25% over FY26E-28E, led by capacity-driven volume growth and improved profitability. We value the company at 22x P/E FY28E, which is a premium compared to the historical average. The company's close peers like Gokaldas (~17x) or SP Apparels (~13x) currently trade at a lower multiple, while KPR Mills (~30x) trades at a premium. The assigned multiple factors in the ability to generate superior capital returns compared to the peers, and expectation of higher valuations in future as earnings growth accelerates. This translates into a target price of Rs 2070/share, implying an upside of 24% , and we assign BUY rating to the stock.

Exhibit 33 : Peer comparison

Particulars	Revenue (INR mn)			EBITDA (INR mn)			PAT (INR mn)			P/E (x)		
	FY26	FY28E	CAGR	FY26	FY28E	CAGR	FY26	FY28E	CAGR	FY26	FY27E	FY28E
Pearl Global	50,246	63,538	12%	4,639	6,874	22%	2,700	4,344	27%	27.7	23.1	17.7
Gokaldas Exports	39,876	55,892	18%	3,564	6,295	33%	1,001	2,994	73%	50.6	24.5	16.8
KPR Mills	66,484	85,942	14%	12,673	18,253	20%	8,665	12,246	19%	42.9	33.9	29.6
SP Apparels	15,786	20,366	14%	2,115	3,023	20%	1,009	1,599	26%	20.2	15.0	12.8

Source: Company, PL

Exhibit 34 : Peer comparison

Particulars	RoE (%)				RoCE (%)				Cash conversion cycle (days)				Net debt/EBITDA (x)			
	FY23	FY24	FY25	FY26	FY23	FY24	FY25	FY26	FY23	FY24	FY25	FY26	FY23	FY24	FY25	FY26
Pearl Global	24.6%	22.9%	25.8%	21.1%	16.2%	18.2%	19.8%	17.4%	46	33	31	39	1.0	0.7	0.5	0.4
Gokaldas Exports	21.7%	12.0%	9.4%	4.7%	21.1%	10.8%	9.7%	6.0%	106	141	122	141	(0.7)	1.9	0.9	2.4
KPR Mills	23.6%	20.0%	17.4%	16.2%	23.4%	19.8%	18.9%	17.9%	151	212	196	177	0.9	0.8	(0.1)	(0.7)
SP Apparels	12.6%	12.5%	11.7%	11.2%	12.2%	12.7%	13.1%	13.1%	189	199	195	169	0.7	0.5	1.8	1.6

Source: Company, PL

Key Management Personnel and Board of Directors

The management is a blend of experience and professionalism, supervised by a balanced board of directors

Exhibit 35 : Management team

Name	Position
Dr. Deepak Kumar Seth	Chairman
Pulkit Seth	Vice Chairman
Pallab Banerjee	Managing Director
Sanjay Gandhi	Group CFO
Shifalli Seth	Non-Executive Director
Kumar Shailesh	Executive Director
Deepak Kumar	Executive Director
Abhishek Goyal	Independent Director
Jyoti Arora	Non-Executive, Independent Director
Neha Khanna	Independent Director
Sanjay Kapoor	Non-Executive, Independent Director
Ashwini Agarwal	Non-Executive, Independent Director
Rahul Mehta	Non-Executive, Independent Director

Source: Company, PL

In 2019, the company shifted from founder-led operations to professional management, with a strong focus on governance. Parallelly, board composition was upgraded, and capital allocation was streamlined. The promoters consciously stepped back from day-to-day operations, bringing in industry veterans:

- **Pallab Banerjee, MD** with 30 years of experience in the apparel industry, including 21 years at Gap Inc as VP – Global Sourcing, overseeing US$4bn in procurement and heading Gap India operations

- **Sanjay Gandhi, Group CFO**, architect of PGIL's financial discipline, working capital optimization, and capital allocation framework

The new leadership team comprising experts from various domains has led a paradigm shift for PGIL, as reflected in the company's resilient performance and superior capital returns, despite multiple global headwinds during the past few years.

PGIL has built a board structure that effectively anchors its aggressive global expansion strategy while maintaining clean corporate governance. The board structure shows characteristics of a strong supervisory body, such as inclusion of experts from various domains, healthy gender diversity, and healthy representation of independent directors – a key for protecting rights of minority shareholders.

Key Risks

- **Slowdown in the US economy:** The US market has accounted for a significant portion of PGIL's revenue. Even though the company has diversified its exposure to the US market, it still contributed roughly 50% to overall revenue in FY26. Therefore, any slowdown in the US economy can materially impact PGIL''s operations.

- **Political instability in manufacturing countries:** Persistent political instability, labor unrest and energy supply disruptions in Bangladesh and other geographies could impact apparel production timelines and lead to production disruptions.

- **Raw material price volatility:** Ongoing geopolitical disruptions have led to crude oil price volatility, which has significantly increased the prices of petrochemical products used in textile manufacturing. Continued rise in raw material prices can lead to volatility in margins of the company.

- **Execution risk in capacity ramp-up:** PGIL is undergoing a capex of INR 2,500mn for capacity expansion in Bangladesh (5-6mn pieces) and India (2.5-3.5mn pieces) and may undertake additional capacity expansion projects in the coming quarters. Any delay in execution of capacity expansion can adversely impact volume growth.

- **Inability to expand in non-US markets:** India has recently signed FTAs with the US, EU, UK, New Zealand and Oman, which is likely to support the company's plans to expand presence in non-US markets. However, inability of the company to capitalize this opportunity (due to internal or external factors) can increase the risk of excessive dependence on the US. This has been a critical factor in recent quarters given the uncertainties related to the tariffs and other geopolitical factors.

- **Compliance and ESG related risks:** PGIL generates majority revenue from developed markets where the focus on regulatory compliance and adoption of sustainable practices (including supply chains) are increasing. Failure to meet these requirements or any involvement in ESG-related controversies can lead to reputational or financial damages and may impact its ability to retain/win customers.

Financials

Income Statement (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Net Revenues	**45,063**	**50,246**	**55,918**	**63,538**
YoY gr. (%)	*31.1*	*11.5*	*11.3*	*13.6*
Cost of Goods Sold	23,721	26,340	29,033	32,881
Gross Profit	21,342	23,906	26,885	30,657
Margin (%)	*47.4*	*47.6*	*48.1*	*48.2*
Employee Cost	8,393	9,563	10,640	11,952
Other Expenses	8,913	9,703	10,529	11,831
EBITDA	**4,036**	**4,639**	**5,715**	**6,874**
YoY gr. (%)	*31.1*	*14.9*	*23.2*	*20.3*
Margin (%)	*9.0*	*9.2*	*10.2*	*10.8*
Depreciation and Amortization	752	873	1,047	1,192
EBIT	**3,284**	**3,766**	**4,668**	**5,682**
Margin (%)	*7.3*	*7.5*	*8.3*	*8.9*
Net Interest	992	1,032	1,165	1,041
Other Income	336	371	413	470
Profit Before Tax	**2,673**	**3,093**	**3,917**	**5,110**
Margin (%)	*5.9*	*6.2*	*7.0*	*8.0*
Total Tax	366	393	587	767
Effective Tax Rate (%)	*13.7*	*12.7*	*15.0*	*15.0*
Profit After Tax	**2,308**	**2,700**	**3,329**	**4,344**
Minority Interest	(176)	(76)	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**2,523**	**2,766**	**3,329**	**4,344**
YoY gr. (%)	*44.8*	*9.6*	*20.4*	*30.5*
Margin (%)	*5.6*	*5.5*	*6.0*	*6.8*
Extra Ord. Income / (Exp)	(39)	11	-	-
Reported PAT	**2,483**	**2,777**	**3,329**	**4,344**
YoY gr. (%)	*42.0*	*11.8*	*19.9*	*30.5*
Margin (%)	*5.5*	*5.5*	*6.0*	*6.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,483	2,777	3,329	4,344
Equity Shares O/s (mn)	**46**	**46**	**46**	**46**
EPS (INR)	**54.9**	**59.9**	**72.1**	**94.1**

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Non-Current Assets				
Gross Block	**9,692**	**11,468**	**12,968**	**14,968**
Tangibles	9,692	11,468	12,968	14,968
Intangibles	-	-	-	-
Acc: Dep / Amortization	**2,674**	**3,547**	**4,595**	**5,787**
Tangibles	2,674	3,547	4,595	5,787
Intangibles	-	-	-	-
Net Fixed Assets	**7,017**	**7,921**	**8,373**	**9,181**
Tangibles	7,017	7,921	8,373	9,181
Intangibles	-	-	-	-
Capital Work In Progress	467	1,153	1,153	653
Goodwill	223	241	241	241
Non-Current Investments	450	490	490	490
Net Deferred Tax Assets	97	235	235	235
Other Non-Current Assets	120	81	81	81
Current Assets				
Investments	-	-	-	-
Inventories	7,051	8,825	9,821	11,159
Trade Receivables	3,244	4,073	4,533	5,150
Cash & Bank Balance	5,664	7,474	8,016	9,786
Other Current Assets	1,314	1,400	1,400	1,400
Total Assets	**25,958**	**32,447**	**34,898**	**38,931**
Equity				
Equity Share Capital	230	231	231	231
Other Equity	11,327	14,367	17,031	20,506
Total Networth	**11,557**	**14,598**	**17,261**	**20,736**
Non-Current Liabilities				
Long Term Borrowings	2,825	3,384	3,384	3,384
Provisions	461	679	679	679
Other Non Current Liabilities	6	5	5	5
Current Liabilities				
ST Debt / Current of LT Debt	4,905	6,044	5,044	4,544
Trade Payables	5,566	6,978	7,765	8,823
Other Current Liabilities	712	967	967	967
Total Equity & Liabilities	**25,958**	**32,447**	**34,898**	**38,931**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
PBT	2,673	3,093	3,917	5,110
Add. Depreciation	752	873	1,047	1,192
Add. Interest	991	1,031	1,165	1,041
Less Financial Other Income	336	371	413	470
Add. Other	(284)	590	-	-
Op. Profit before WC Changes	4,132	5,587	6,129	7,344
Net Changes-WC	(2,052)	(1,206)	(668)	(898)
Direct Tax	(316)	(398)	(587)	(767)
Net Cash from Op. Activities	**1,764**	**3,983**	**4,873**	**5,679**
Capital Expenditures	(934)	(1,852)	(1,500)	(1,500)
Interest / Dividend Income	101	174	-	-
Others	(202)	97	-	-
Net Cash from Invt. Activities	**(1,035)**	**(1,580)**	**(1,500)**	**(1,500)**
Issue of Share Cap. / Premium	1,504	66	-	-
Debt Changes	592	881	(1,000)	(500)
Dividend Paid	(254)	(604)	(666)	(869)
Interest Paid	(831)	(802)	(1,165)	(1,041)
Others	-	-	-	-
Net Cash from Fin. Activities	**1,011**	**(459)**	**(2,831)**	**(2,410)**
Net Change in Cash	**1,740**	**1,944**	**542**	**1,769**
Free Cash Flow	588	2,118	3,373	4,179

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26	FY27E	FY28E
Per Share (INR)				
EPS	54.9	59.9	72.1	94.1
CEPS	71.3	78.8	94.8	120.0
BVPS	251.6	316.3	374.1	449.4
FCF	12.8	45.9	73.1	90.6
DPS	12.0	15.0	14.4	18.8
Return Ratio (%)				
RoCE	19.8	17.4	18.8	20.9
ROIC	25.9	23.2	23.6	27.8
RoE	25.8	21.1	20.9	22.9
Balance Sheet				
Net Debt : Equity (x)	0.2	0.1	-	-
Net Working Capital (Days)	38	43	43	43
Valuation (x)				
PER	30.3	27.7	23.0	17.6
P/B	6.6	5.2	4.4	3.7
P/CEPS	23.3	21.1	17.5	13.8
EV/EBITDA	19.4	16.9	13.4	10.8
EV/Sales	1.7	1.5	1.3	1.1
Dividend Yield (%)	0.6	0.8	0.8	1.1
FCFF Yield (%)	0.7	2.7	4.3	5.4
PEG Ratio	0.8	3.0	1.1	0.5

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Net Revenues	**12,279**	**13,129**	**11,702**	**13,136**
YoY gr. (%)	*16.6*	*9.2*	*14.4*	*6.9*
Raw Material Expenses	6,626	7,248	5,749	6,718
Gross Profit	5,653	5,881	5,953	6,418
Margin (%)	*46.0*	*44.8*	*50.9*	*48.9*
EBITDA	**1,124**	**1,210**	**960**	**1,345**
YoY gr. (%)	*14.4*	*25.1*	*5.0*	*14.7*
Margin (%)	*9.2*	*9.2*	*8.2*	*10.2*
Depreciation / Depletion	197	224	224	228
EBIT	**927**	**986**	**736**	**1,117**
Margin (%)	*7.5*	*7.5*	*6.3*	*8.5*
Net Interest	274	274	221	263
Other Income	113	81	75	102
Profit before Tax	**763**	**794**	**586**	**950**
Margin (%)	*6.2*	*6.0*	*5.0*	*7.2*
Total Tax	108	74	70	141
Effective Tax Rate (%)	*14.1*	*9.3*	*12.0*	*14.8*
Profit After Tax	**656**	**720**	**515**	**810**
Minority Interest	(23)	(13)	(17)	(23)
Share Profit from Associate	-	-	-	-
Adjusted PAT	**675**	**733**	**529**	**828**
YoY gr. (%)	*(3.6)*	*33.9*	*(6.0)*	*16.8*
Margin (%)	*5.5*	*5.6*	*4.5*	*6.3*
Extra Ord. Income / (Exp)	3	-	3	5
Reported PAT	**678**	**733**	**533**	**833**
YoY gr. (%)	*3.8*	*25.4*	*(5.3)*	*22.0*
Margin (%)	*5.5*	*5.6*	*4.6*	*6.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**678**	**733**	**533**	**833**
Avg. Shares O/s (mn)	46	46	46	46
EPS (INR)	**14.7**	**15.9**	**11.5**	**18.0**

Source: Company, PL

Notes

!@#$%

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
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