

PGIL/SE/2025-26/41

Date: August 14, 2025

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MUMBAI - 400 051

**Reg: Scrip Code: BSE-532808;**

**NSE - PGIL**

**Sub: Transcript of Conference Call**

Dear Sir/Madam,

In continuation to our letter dated August 08, 2025, regarding submission of audio recording of the Earnings Call held with Investors/ Analyst on August 08, 2025, to discuss Company's un-audited financial results for the quarter ended June 30, 2025, please find enclosed herewith the transcript of the aforesaid Conference Call.

You are requested to kindly take the same on your records.

Thanking you,

Yours faithfully,  
For **Pearl Global Industries Limited**

**SHILPA** Digitally signed  
by SHILPA  
**SARAF** SARAF  
Date: 2025.08.14  
14:57:09 +05'30'

**(Shilpa Saraf)**  
**Company Secretary & Compliance Officer**  
**ICSI Mem. No. A23564**

Encl: as above

**Pearl Global Industries Limited**

Corp. Office: Pearl Tower, Plot No. 51, Sector-32, Gurugram – 122001, Haryana (India)

T: +91-124-4651000 | E: info@pearlglobal.com

CIN: L74899DL1989PLC036849

Regd. Office: C-17/1, Paschimi Marg, Vasant Vihar, New Delhi - 110057

[www.pearlglobal.com](http://www.pearlglobal.com)



“Pearl Global Industries Limited  
Q1 FY '26 Earnings Conference Call”  
August 08, 2025



**MANAGEMENT: MR. PALLAB BANERJEE – MANAGING DIRECTOR –  
PEARL GLOBAL INDUSTRIES LIMITED  
MR. SANJAY GANDHI – GROUP CHIEF FINANCIAL  
OFFICER – PEARL GLOBAL INDUSTRIES LIMITED  
SHISHIR GAHOI -- HEAD OF INVESTOR RELATIONS --  
PEARL GLOBAL INDUSTRIES LIMITED  
SGA – INVESTOR RELATIONS ADVISORS**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Pearl Global Industries Limited Q1 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shishir Gahoi, Head of Investor Relations of Pearl Global Industries Limited. Thank you, and over to you, sir.

**Shishir Gahoi:** Thank you very much. Good morning, everyone, and I am delighted to welcome you all to this earnings call for Q1 FY '26. I hope you all had an opportunity to review our press release and the investor presentation which are available under the Investors section of our website and the same are uploaded on the BSE and NSE website.

To discuss our results, we have with us our Managing Director, Mr. Pallab Banerjee and our Group CFO, Mr. Sanjay Gandhi. They will take you through our results and business performance, after which we will proceed for the question-and-answer session.

Before we start, I want to highlight that this call may include forward-looking statements based on the company's current views and expectations. Actual results could be different as future performance is uncertain and involve risks that are hard to predict.

I will now hand over the call to our Managing Director, Mr. Pallab Banerjee. Over to you, Pallab.

**Pallab Banerjee:** Thank you, Shishir, and good morning, everyone. I welcome you to the quarter 1 financial year '26 earnings call. Along with me, we have our Group CFO, Sanjay Gandhi, our Head of Investor Relations, Shishir Gahoi; and Strategic Growth Advisors, our Investor Relations Advisers.

I am pleased to share our consolidated revenue of quarter 1 financial year '26, it reached INR1,228 crores, reflecting a 16.6% year-on-year growth and marking the fifth consecutive quarter of INR1,000 crore plus quarterly performance. Adjusted EBITDA also grew by 13.4% on a consolidated basis with margins at 9.3% during the quarter.

If we exclude the impact of operational losses at our newer facilities and the tariff-related costs, which we incurred, our adjusted EBITDA margin stands at approximately 10.7%, thus continuing the trend of double-digit margins for the second straight quarter. The performance underscores the strength as a leading global manufacturer.

Now as we all know, the U.S. White House under the leadership of President Trump has announced reciprocal tariffs across all countries, and all major garment manufacturing countries are at the receiving end of either 19% or 20% additional tariff. This is in addition to the pre-existing customs duty under the harmonized tariff system or as we refer them commonly as MFN tariffs.

So this can be perceived as some amount of certainty to our U.S. customers over the uncertainty that was prevailing since April 2. However, unfortunately, India is currently at the center of geopolitical storm and discussions are still open, and it seems that we are at its worst point with 25% reciprocal and a 25% penalty tariff on top of the HTS tariff or the MFN tariff that we have.

With so much happening from the U.S. side, still a lot of specific details and definitions are awaited in the written documents. One example is the definition of transshipment. This is still not very clear, apart from what we know now that 40% value add has to happen in the country of shipping to avoid the transshipment tariff. This has naturally led to growing diplomatic efforts and lot of legal scrutiny across the globe.

Meanwhile, the U.S. retailers and the brands has been experiencing good sales in the first half of 2025 and are ready to place the spring/summer 2026 business to their supply base, which is for us the quarter 3 or the quarter 4 sales. We are seeing a positive momentum from these U.S. customers for our Vietnam, Indonesia, Bangladesh and Guatemala region.

Remember, Guatemala is net 10% baseline tariff only, and they do not have any MFN tariff. And on the other hand, India has suddenly come under a lot of pressure in this last one week. Our business model rooted in a strong geographic diversification, deep customer relations and a solid order book, which gives us the resilience and the flexibility to navigate through these current uncertainties. We remain confident in our ability to adapt swiftly and continue delivering the consistent performance that you expect from us.

Let's take a closer look at the progress and the operational highlights across each of our geographies. Let me start from Vietnam. Vietnam got an additional tariff of 20%. This quarter, we recorded a very healthy revenue growth from our Vietnam operations.

Here, the sales grew by 75% year-on-year, reflecting the success of the strategic decision and of us securing the capacities well in time. This also translated into a higher realization, driving the healthy demand and strong customer engagement for the rest of the year as well.

Vietnam proved to be an important manufacturing hub for U.S. and has secured one of the earliest deal with Trump administration. The early clarification of trade policies has paved the way for market confidence amongst the customers and enabling us to tap into the emerging opportunities much more effectively. We are well positioned to sustain this momentum in the coming quarters as well.

Moving on to Indonesia. Here, again, the additional tariff is at 19%. Indonesia has demonstrated an impressive growth for us, approximately 50% on a lower base, although a lower base compared to last year. And we continue to regain the business after the relocation of our factory, as you all know. This is another country where we are witnessing early resolution of tariff deal with U.S. and a very positive momentum. We are seeing a lot of migration from China continue to happen both in Vietnam and Indonesia. So we are confident to carry this momentum in the coming quarters as well.

Speaking of Guatemala, it continues to be at a net reciprocal tariff of 10% baseline tariff, which Trump administration has announced. And there was no WTO or MFN component of the tariff. So the customer interest naturally is high in this region.

And also, it is driven by the logistical advantages being the proximity to U.S. So we are gaining strength as we steer through the early challenges of a new country that we have established. So as you know, like we incurred some losses in the last financial year. So we are looking forward to improve on them and then grow this business.

Now moving on to Bangladesh. Here, the U.S. tariff -- additional tariff, reciprocal tariff has been defined as 20%. This decision got delayed and was announced on 30th of July. Post this clarity, we are witnessing a very positive momentum from this geography as well.

Following the last year's remarkable growth, our facilities are currently operating at optimum efficiency. Bangladesh plays a pivotal role in our long-term vision because it offers various advantages, the existing free trade agreements or due to its LDC status to countries like European Union, U.K., Australia, China and its overall competitive costs, higher productivity, skilled labor and a matured ecosystem of an experienced leadership. So all these things definitely helps us to really leverage the strength of Bangladesh.

We continue to scout for new opportunities in Bangladesh should the right prospects arise. The lower tariff rates compared to the competing markets like India and China strengthen the conviction that we had to expand our footprint in this country. This aligns well with our broader strategy and reaffirms our confidence in Bangladesh's long-term potential as a key garment manufacturing hub.

We remain committed to our earlier announced CapEx plan towards capacity expansion and sustainable laundry capacity expansion. This expansion is expected to add additional capacity of 5 million to 6 million pieces in our Bangladesh capacity.

Now finally, talking about India. We delivered an encouraging performance in India with an adjusted EBITDA increasing almost 47.2% year-on-year and the margins improving 250 basis points to 7.3% in our quarter 1 of financial year '26, up from the 4.8% last year due to change in our customer mix and product mix and some productivity gains. We continue to see significant potential to further expand margins in the India business.

On the flip side, U.S. has recently announced a 25% tariff on the Indian exports, which is applicable from 7th August and an additional penalty tariff of 25%, which is applicable from 27th of August.

Now these deadlines offer scopes for negotiations. However, if the situation remains unchanged, we should make our plan, and it will prompt a strategic shift in Pearl Global's manufacturing and marketing approach.

In response to these trade barriers, Pearl Global plans to prioritize its other manufacturing hubs such as Vietnam, Bangladesh, Indonesia and Guatemala for fulfilling the U.S.A. orders and to maintain the cost efficiency and the timely deliveries. Meanwhile, the India's manufacturing

operations will pivot to focus on the non-U.S. markets, where India produces or India products remain competitive in quality and also in price.

However, while we are working out this realignment, the near-term challenges to India operations remains. India constitutes approximately 25% of our top line. And last year, we had more than 60% of this 25% business in India from U.S.A. This year, due to the growth in our other markets, this trend is now just above 50% .In this context, also, we must say that the India-U.K. free trade agreement is a promising opportunity for Indian exporters.

Pearl Global has a well-established office and customer relations in the U.K. market, mainly servicing from our Bangladesh manufacturing and some in India. Now this is poised for growth as the Indian shipments will get a duty advantage from 2026 onwards. At the same time, we are experiencing a growth in our business with the Japan and Australian customers.

Now to provide an update to our Bihar facilities, 500 machines have already been installed and the remaining 300 will be added in a phased manner. Depending on the demand, we plan to operate in 2 shifts. Overall, our order books are looking healthy. Despite the global challenges, we are confident of our moderate growth plans that we have highlighted earlier. A recent situation does provide some unusual challenges and simultaneously some significant growth opportunities for Pearl Global. And I'm proud to say that Pearl Global is ready to face them.

With that, I will hand over to Sanjay, our Group CFO, who will provide a detailed overview for the quarter 1 financial year '26. Sanjay, over to you.

**Sanjay Gandhi:**

Thank you, Pallab, and good morning, everyone. Welcome to our quarter 1 FY '26 earnings call. I will now walk you through our financial and operational performance for the quarter ended 30th June 2025.

I'm pleased to share that we have delivered yet another strong quarter with top line revenue exceeding INR1,000 crores. In quarter 1 FY '26, our consolidated revenue stood at INR1,228 crores, representing a 16.6% year-on-year growth. This growth was led by enhanced contribution from Vietnam and Indonesia, fueled by strong order book and healthy sales volume despite ongoing tariff related uncertainty.

Adjusted EBITDA for the quarter came at INR114 crores, a growth of 13.4% year-on-year with margin at 9.3%. Adjusted EBITDA margin, excluding the impact of operational losses at new facility, Guatemala and Bihar and tariff costs of INR11.75 crores stands at approximately 10.7% in quarter 1 FY '26. Continuing the trend of double-digit margin for the second consecutive quarter. PAT in quarter 1 FY '26 grew to INR66 crores, a growth of 5.9% year-on-year basis. Excluding exceptional item in quarter 1 FY '25, PAT registered a year-on-year growth of 13.5%.

Now turning to our standalone financial performance. In quarter 1 FY '26, our revenue stood at INR267 crores, a marginal decline of 3.4% on a year-on-year basis. Historically, our performance in the second half has consistently outpaced the first. However, tariff imposed by U.S. do pose challenge to this trend. As highlighted above, we are working aggressively on realignment of our strategy for our India operations.

Adjusted EBITDA rose to INR20 crores, up by 47.2% year-on-year. Margin also improved by 250 basis points from 4.8% in quarter 1 FY '25 to 7.3% in quarter 1 FY '26 due to change in customer mix and product mix. PAT for standalone business grew to INR26 crores, a growth of 62.6% on a year-on-year basis.

As we recalibrate our strategy to adapt to this evolving trade dynamics, it is pertinent to note that U.S. revenue from Indian entity in FY '24-'25 stands at 16% to 18% of the group revenue, while profit from this business is between 4% to 5% of the group profit. We believe such recalibration strategy as highlighted above, should help in maintaining the profitability.

During the quarter, we received a total dividend of approximately INR18 crores from NorpKnit Industries Limited, Bangladesh subsidiary and Pearl Global Hong Kong, Hong Kong subsidiary, in line with the fungibility of cash across group entity. The company has been consistently declaring dividends from subsidiary company in Bangladesh and Hong Kong since FY 2022.

Despite global headwinds and tariff uncertainty, our operational performance remained steady year-on-year. Number of pieces shipped rose to 17.2 million in quarter 1 FY '26 from 16.7 million in quarter 1 FY '25. Our average realization for the quarter is higher because of the increased share of Vietnam and Indonesia in the group.

We have successfully commissioned solar panel installation across 3 key units in Gurgaon manufacturing facility adding a cumulative capacity of 722.2 kilowatts of clean renewable energy to our operation. Another 2 plants will be commissioned in quarter 2. When we look at our CapEx plan, while we have not committed new CapEx this quarter due to ongoing tariff uncertainties, we have continued to progress with strategic investments. Going forward, we will await stability in tariff environment before pursuing additional CapEx in our respective geographies.

In summary, we have delivered a good quarter of growth while sustaining our margins despite the challenging environment. As we move forward, we remain confident in our strategy and execution capability. Thank you. Now we can open the floor for the question and answer.

**Moderator:** Question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking.

**Bhavya Gandhi:** Congratulations on a good set of numbers even in a challenging environment. Sir, my first question is regarding the realizations. Sir, how sustainable are these realizations? Because historically we've been guiding for INR600 sort of realizations. And in Q1 FY '24, we had seen this kind of realizations like INR715-odd levels. And then again, it started dropping to INR650-odd levels. So what would be the average realization one should walk out with?

**Sanjay Gandhi:** So Q1 in...

**Pallab Banerjee:** Go ahead, Sanjay.

**Sanjay Gandhi:** Yes, Pallab, please go ahead.

- Pallab Banerjee:** No, no, I was just talking about the seasonality because Q1 definitely has got more of outerwear, which goes to the Western market, the jackets and all. So it is trending a little higher. But please add on to it and further explain Sanjay.
- Sanjay Gandhi:** No. Yes, Pallab, this is in line with what I was about to add that this fact that due to seasonality, Vietnam contribution in quarter 1 is always more. And as such, the average garment realization in quarter 1 will be higher than the quarter 3 or quarter 4 of the financial year. In this particular year, in this quarter, since Vietnam contribution has even outpaced the previous quarter, the realization has gone high.
- So when you look at quarter-on-quarter comparison year-on-year going forward also I think this kind of a level will be sustainable. However, for the full year basis, we have already stated the assumption what we need to take around INR625, INR650. That level, I think, is something which we still would like to hold on.
- Bhavya Gandhi:** Fair enough, sir. And sir, second question regarding -- yes, yes, sir, go ahead.
- Pallab Banerjee:** No, just a small addition is that we are now making outerwear even in other locations as well. We have just experimented with one order in India. And Indonesia also will improve on the share of making outerwear. So as this goes up, so there could be a trend. But yes, it's still not a definite forecasted number as yet. As Sanjay said, like we have to see the overall annual average.
- Bhavya Gandhi:** Fair enough, sir. And sir, if you can share the capacity utilizations at Indonesia and Vietnam, that will be really helpful.
- Pallab Banerjee:** So as you know, Vietnam, we do both our in-house facility as well as the partner factories. So that we have utilized them. And Indonesia, as we relocated the factory, so that was still not at 100%. That's I think we are ramping up as of now. Sanjay, any numbers that you have in your, any numbers that you can share.
- Sanjay Gandhi:** So you're right, Pallab. And I would just like to add that Indonesia is in a ramp-up phase. It still was operating at only 50% of its capacity last year. The growth is, say, on a low base. So there is still ample opportunity for us to grow to the level of 90%, 95% utilization. At that level, on an annualized basis, we should be achieving a sale of \$32 million to \$35 million. So currently, there is a scope for further utilization in Indonesia. Vietnam, yes, we have reached almost 95% utilization in quarter 1. But every quarter we'll have this own opportunity to bring it up.
- Bhavya Gandhi:** Fair enough, sir. Really helpful. And just one more question, if I can squeeze in. Sir, this is regarding how much of the India production gets landed in U.S. Just wanted to understand how much is directly imported in U.S. out of the India region? Or I may rephrase this, how much is the exports from India to the U.S. out of the total top line, which gets landed on the U.S. coast.
- Pallab Banerjee:** So if you look at the math, like India last year did about 25% of our total top line and close to 60% of India's shipment landed in U.S. So about I think that means total number would be coming around close to 15% of our total top line.



**Bhavya Gandhi:** 15% of it. And sir, if we were to shift this because we are truly multi-geography, right? So if we were to shift this, we have only Indonesia, which is slightly underutilized and somewhat you can ramp up in the Vietnam as well. But if we were to fulfill this demand, do we have additional capacities because Bangladesh is at 90% capacity utilization, if I'm not wrong. So how can we transfer those goods to other geographies...

**Pallab Banerjee:** So both in Bangladesh and Vietnam, we have expandable capacity because we have been growing. And we have the partner facilities where we can add more lines. And these facilities are already approved by our customers.

**Moderator:** The next question is from the line of Kishore Kumar from Unifi Capital.

**Kishore Kumar:** First, I have a question on the strategic shift that we're going to make actually. If we look at actually, we are shifting production from India to Bangladesh or Vietnam or Indonesia for the U.S. customers and vice versa for the other geographies.

So I understand that each of these geographies have expertise in certain product categories, like cotton-based in the South India and ASEAN countries actually have expertise in the man-made fabrics. If we shift this way, the cost of production will go up, isn't it? And also, is it feasible to actually shift this way because you need to like train the employees on those garments as well as sourcing also needs to be figured out?

**Pallab Banerjee:** Good question. It's not that simple to shift overnight or without any preparation. So you see there are 2 things that comes into play. Something which is very short term, like that means this current, which is in order or just getting placed in terms of order. So that's a short-term fix that we need to have to maintain the market share of -- or the customers' wallet share that we have.

And because most of these customers, the top customers, we are in a growth phase, so we do not want to hindrance them. And their expectation is also that we can support by shifting the product. If you look at India and Bangladesh, there is a lot of similarity because Bangladesh also majority of the production is on cotton base. And if I look at Indonesia and Vietnam, we have that readiness.

So in Vietnam, if you talk about or in Indonesia if you talk about, the 2 quarters, which is your Q1 and partly Q2 or end of Q4 this is the phase where we make a lot of synthetic outerwear and activewear at this point of time. And then comes the quarter 3, quarter 4, which is more of supplying goods to the summer of these Western countries when cotton takes a precedence, cotton and cellulosic fiber.

So it's not that these particular facilities cannot handle cotton or cellulosic. They are ready to handle. But as this, we are navigating through these geopolitics and this tariff war. During that time we have to see what are the best options that we have.

The one of the key decision-making factor for these shifts at this point of time would be the availability of raw material. In case these raw materials are available from the India region or the cotton, then it makes sense to move to some of them to Bangladesh for a short term.

For the long term, then we can plan from beginning, like where do we source the raw material, how do you develop the raw material, the whole market, whole ecosystems can be developed. So there are 2 phase to it to summarize. One is immediate response for the next immediate 2, 3 months and then the longer term. So both we are working upon as of now.

So it's not that we will be shifting 100% of it. We are hopeful that there would be a resolution between India and U.S. hopefully soon so that early decision can be taken then this production can be made in India as well. So at this point of time, the readiness is very important and the swift action to gain and to maintain the confidence of our customers is the most important thing. And that I think Pearl is capable of doing. Hopefully I have answered your question.

**Kishore Kumar:** Yes, yes, pretty much. And on the second question, actually, sir, earlier the deadline was actually on July 9. So given the significant growth in the Vietnam and Indonesia, is there any front-loading of shipments happened to the U.S. actually?

**Pallab Banerjee:** Not much, because this particular -- like, for example, like other markets was more important at this point of time because of the fall and holiday goods are lower season for the India market. And as this extra tariff comes in at a phase where whatever our last goods of fall and holiday, which are into production, so we are trying to do that and move it up, but not a huge massive number.

**Kishore Kumar:** Understood, sir. Understood. My last question is on the guidance actually. Is our guidance on the volume, 12% to 14% is still intact? Or any change on that? And what is the full year guidance, sir, if you can give that on the margins and revenues?

**Pallab Banerjee:** Sanjay, you're going to take that?

**Sanjay Gandhi:** Yes...

**Moderator:** The next question is from the line of Riken Ramesh Gopani from Capri Global.

**Riken Gopani:** Congratulations on a good set of numbers under this condition. Sir, first thing I wanted to understand is, if we look at our overall capacity, about 20 million is the capacity that we have in India, correct? Or the current production. So of that, you are basically saying about 15% is what goes to the U.S. Is that how we should read this?

**Sanjay Gandhi:** No. I think 24.5 million is a capacity in India, 15% -- 16% to 18% or 15% is a group revenue which goes to U.S.A.

**Riken Gopani:** Okay. So from India specifically...

**Pallab Banerjee:** India we are clocking almost about 50%.

**Riken Gopani:** Okay, about 50% of India...

**Pallab Banerjee:** We are clocking at 50%, yes. As of now, we are clocking. So naturally, like at this point of time, our immediate response would be to fill up because see, with 50% tariff, most of these American customers will try to avoid paying this 50% tariff because then that will render their product to

be too expensive to be sold to a customer. Certain customers can, certain product will still be there, but it will be a very insignificant portion, I would say, a very small portion would remain.

So naturally, our focus would be to fill up this 50% as much as possible through other business from other markets like Japan, Australia, local Indian manufacturing. So this will be the immediate response that most of our capacity has to be dedicated to. So that's why I said the challenge would be in terms of this, making sure that the smooth transition and a quick thing that happens.

Of course, on a longer term, this is already in works. So we are not concerned. But for a short term, for the next immediate 1, 2 months or 3 months, that's something that is somewhat of a challenge that we need to navigate through if this thing is not resolved by the Indian government along with the U.S.

**Riken Gopani:** Right. So any which way, the worst-case scenario here is that 15% of group, therefore, about 7.5% of group revenues effectively would be what will be impacted, what is coming from India, right? That's how it should be said?

**Pallab Banerjee:** Didn't get that number, Sanjay...

**Riken Gopani:** So basically what I was saying is that at the group level, how much of this impact will be there because of the India business to U.S.

**Sanjay Gandhi:** So let me just reframe the answer. So the number, 16% of the group revenue is under the discussion for realignment. So your understanding about 16% of group revenue, which goes to U.S. is under the group realignment strategy, which is what Mr. Pallab has just mentioned about that.

**Riken Gopani:** Understood. Okay. That is the one which will be to sort of redirect and from other countries. That's the -- got it. Got it. And second point is, you did mention that the -- while the revenue contribution is about 15%, the profit contribution is only 4%, is it?

**Sanjay Gandhi:** Yes, you're right. I mean profit contribution, if you look at overall India contribution to the group profit, operational profit is also minimal for the reason we have highlighted in our previous calls, which we have been working to improve in India. So as the figures stand at INR24 crore, INR25 crore, that number is 4% to 5% for the group profit after tax.

**Riken Gopani:** Understood. Understood. Got it. It's very clear. Sir, the second question which I have is with regards to the performance for this quarter, what would have been the impact? Because we did mention that initially part of the tariff increase we had absorbed at our level and then effectively then passed it on to the client thereafter. So what kind of impact did you have to the gross margins in this quarter because of taking that impact? And how will that change going forward?

**Sanjay Gandhi:** So I can mention you the number in quarter 1. Quarter 1, as I mentioned in my speech, is INR11.75 crores, roughly 0.9% of our group quarter 1 revenue is what has been impacted the EBITDA in the quarter 1 itself. Going forward strategy, I request Mr. Pallab to really add on that.

**Pallab Banerjee:**

So as I had mentioned earlier also, this is more of a negotiation process. So when the 10% additional tariff was implemented by U.S. administration, most of these U.S. customers had to immediately absorb that 10% additional tariff and reach out to the supply base and asked to burden share. That means share this extra 10%, whatever amount that we can. They were asking for 50:50. And of course, most of the suppliers -- supply chain negotiate.

Our negotiation was mainly in the range of 2%, as I said, at that point of time also. Over -- almost 50% of our total revenue was in U.S. And I think we are clocking more like that. There are certain customers where we could avoid the burden share. Certain customers, we didn't give any of these discounts. And to certain customers, we had to give up to 2% or a little more in 1 or 2 cases. So that's how these negotiations was done.

Now as the clarity is coming from the U.S. more and more for other regions, this is coming to an end. So there are certain customers who said that, okay, do share this burden for maybe a couple of more seasons. So this is a negotiation tactics that most of the customers are -- or some of the customers are still using. So we will navigate it accordingly.

But the fortunate thing is that now costing is done quarterly. Most of the costing is done on a quarterly basis. So as we have to -- how we do the negotiation and how we build up some of these costs into our -- as we are quoting the prices. So that's a generally that will continue to happen. So there's no definite percentage that can be forecasted, but it will start going down from here.

**Riken Gopani:**

So we can say effective on a progressive basis over the next 3 or 4 quarters, you could recoup this 0.9% impact that you have had in the Q1 numbers?

**Pallab Banerjee:**

Yes, to a certain extent because whatever, like how the geopolitics and Trump administration is playing. So I don't know, like maybe like it seems that, okay, it will be more of a buyer's market for some time, but sometimes it looks like more of a supplier's market. So it will depend on how the things are. Things are moving very fast.

And depending on the negotiation power that the supply base would have, this effect will get minimized. Now with the scarcity that is getting created in the other markets, if suddenly like one of the country is put at a 50% tariff, so then definitely, the suppliers will have an upper hand to negotiate. I hope you understand what I'm trying to say.

**Moderator:**

The next question is from the line of Dhvanil from iWealth Fund.

**Dhvanil:**

Sir, just on the -- to understand the whole tariff now, right? So broadly, sir, U.S. retail market is growing at 3%, 4-odd percent. And what we are also reading, hearing that the inventories and also are -- they had already prepared for that, right?

So how are you seeing now, sir, the overall H2 shaping up with the minimum 20% in the other geographies and 25-odd or 50% in India, what should happen to, a, the volume growth; and b, the incremental margin rate we might have to take? I know, sir, you tried to explain it in the earlier question. But just to understand now from 10, now 20 has been the baseline with the overall market not growing there. So this has to be passed on to the whole ecosystem, right?

**Pallab Banerjee:**

Yes. Very interesting question and very valid question at this point of time. See, this is a question that most of the economists and most of the news channels, U.S has been trying to address. Everybody felt that with this kind of tariff, there would be a reduction in the sales and there would be some kind of problems that can be visible in the U.S. economy.

But somehow till now, till the month of June numbers that came out and even like early expectations of July that we saw was that the retails were not facing this particular kind of projection that a slowdown or the inflation that would come in. So one of the theory was that they have enough inventory in the retail to sell through at the old price.

So normally, this season -- as the season changes because what we saw is definitely the purchase -- as you're seeing in our business, we didn't see any reduced buy for the outerwears from our customers that we have serviced from the countries like Indonesia, Vietnam, and other places.

So that -- we have not experienced that as of yet. But yes, this is something like most economists and most news channels were saying that as this will be passed on to the U.S. customer, there will be some kind of reduction in business. So that definitely is still a question mark how and in what shape it will come through.

Generally, if you see a 20% additional tariff that these goods are attracting as it lands in U.S., from my experience, if you talk of average retailer like the common names like Gap and Kohl's and all that we service and PVH and all. So anywhere around 50% or 55% of the final retail realization that they do in the store is the cost of goods.

So that means the goods, which we ship out what we get payment from them and the cost of logistics and tariff. Now that particular cost is going up by 20%. So your normal math will say that, okay, like to absorb this 20%, the retail price should go up by 10%. That means 50% of it has to be passed on to the customer.

So then basically, all other costs remaining same, if they just improve the price ticket or increase the price ticket by 10%, then they can mitigate it. Or the other option that these retailers would have to decrease some of their expenditures, expenses and absorb some of these costs.

And let's say, the supply chain also absorbs some of these costs. So this is -- this 10% will be the play. So there could be a pressure on their side to minimize the expenditure. They might put a pressure to the supply chain to do it depending on which side of the -- as I said, like it will be a supplier market or it will be a buyer's market.

So then that's how the negotiations will go through. Like I'm just hypothesizing and expanding the thoughts as you were asking the question. So this is how this will be played out as of now.

So naturally, when suddenly a \$6 billion market is taken out, I foresee that it will become more like a supplier's market. So let's see how that goes. With that situation, definitely, we may get some added advantage and added opportunity in the whole deal.

In terms of market getting shrunk, U.S. market have been expanding at a rate of anywhere between 2% to 5% annually for the last few years. This year, in fact, this week only we saw that

CNN article in which they said that 60% of the immigration that used to happen annually, the number has come down by 60%. So it's anybody's guess like what will be the population of U.S. and how the market size will grow or not. So let's see, all of these are like still good interesting questions.

But our strategy, now coming back to Pearl's strategy would be to play with the players or the retailers and the brands who are in a growth mode, so who are gaining market share in the U.S. and so that we continue to grow with them and stay away from those people like who are losing market share or like our dependence to those kind of people like who will be -- there will be definitely a shakeout in the U.S. market as well.

So that our path is clear that we should be -- we are still on a growth path, and we will do everything. We'll keep our antenna, all our analysis, all our inputs ready so that we are on the right side of the market. So that's the endeavor. That's the goal and that's the objective that we're working with. Got long answer, I hope it made sense.

**Dhvanil:** Got it. No, it made sense. So basically, sir, just to summarize what you told me, that what we ship from here is that broadly our ASP is at INR600, INR650, and the retailers there will be selling at about INR1,500 to INR1,800, 2, 2.5x over our price. So to mitigate this 20...

**Pallab Banerjee:** No, no, no. 50% is the landed. So once they have paid the duty, that is 50%, and the other 50% is their all the SG&A expenses, their marketing expenses, rent, depreciation, everything is their balance 50% after the goods are landed. So not the INR650 we are talking about. INR650 lands at about -- used to land about 1.3. Nowadays, it will be landing at 1.5. And then you...

**Dhvanil:** So around INR1,900 to INR2000. Got it. So...

**Pallab Banerjee:** That will be the minimum, yes, retail price.

**Dhvanil:** Minimum. And to mitigate this 20%, they will have to take this -- they have to take 10% of price increase broadly.

**Pallab Banerjee:** Yes.

**Dhvanil:** Got it. And sir, on the H2 now, right, the last year, our volume growth was very healthy, right? So how are you sensing, sir, with the orders? I mean I think it's a little early, but you...

**Pallab Banerjee:** So like now the current quarter, we have the order book. That's like we are maintaining the trend. There are 2 things that happens in the quarter-wise because now as we are growing in the other markets like Japan, Australia and all, so they do not go as per the U.S. time line. So certain times, like we have to produce in one quarter, the shipment goes in the other quarter. So there will be some kind of minor shifts here and there that we may see. Like as of now, it has been working with quarter-on-quarter. So there could be a little bit of a shift here and there. But overall, we are seeing a positive trend.

And as I just mentioned, like the market has not shrunk so far. So the indication that we got from the U.S. also, like which is, let's say, 50% of the market, we saw that they were ready to place

the spring/summer business, knowing very well that there's a 20% hike in the tariff. We didn't see, like from the customer that we are servicing, we didn't see any significant drop in the numbers as they were projecting it.

Now with this 50% tariff in India, there is definitely a shift and exercise that is going on at this point of time, how much it will be possible to shift and all those things, they will be working out. So, so far, we haven't seen a huge shift in the U.S. marketing trend or buying trend.

Other markets, if you see the number, the import that has happened in Japan or in U.K. or in European Union in the first 5 to 6 months of this year, it has shown a significant growth, anywhere between double-digit growth if you see all these 3 markets that have experienced. U.S. experienced a single-digit growth, almost about 7% if you see the stats.

With those things, it looks like the kind of fear or the kind of conservatism that was prevailing in the market due to the wars and all are slowing down. So this tariff thing is definitely a B2B kind of problems, but the markets are still not shown the kind of slowdown at the consumer end.

**Moderator:** The next question is from the line of Chirag from MS Capital.

**Chirag:** Just 2 questions actually. One, the base erosion, the BEPS norms that came into effect in April, that's not applicable to us yet for the Hong Kong entity because of scale. Is that correct? Or is there any other color on that, if you can provide? And what is your sort of overall guided tax rate from that perspective, if you can start with that.

**Sanjay Gandhi:** Yes, sure. Thank you so much. Yes, you're right. The base erosion is not applicable as of now to Pearl Group. We still have to reach the threshold limit. Our effective tax rate, we mentioned that as of now we'll be at 15%. Under base erosion also, it leads to a 15% as per the current rules. But we are, I think, a couple of years far from that, reaching that limit, and we'll see that at that point in time. So yes, this is how the limits will propose and work.

**Chirag:** Understood. And that's very helpful. The second question is on the realignment of the capacity and the India operations. So obviously, we understand that the India operations currently are below the average EBITDA or the average profitability of the group.

Given that there might be more volume impact here, does that make sense then to assume that there will be -- there might be some replacing back to sort of a loss-making kind of position in the India entity? Is that possible? Is that something which is on the cards? That's the second question.

**Pallab Banerjee:** So in the short run, that means the immediate 1, 2 months, how do we react, if this penalty tariff is prevailing. So then as we just spoke about that some of this U.S. business would be moved out to the other locations, and that capacity has to be filled with something else. So we have so far seen a significant growth from our Japanese customer and an Australian customer. So whether it will be completely able to fulfill the vacuum that may get created if this is not resolved, that is something to be seen.

So naturally, like we are at this point of time, we will be looking into options of any and every other options if this has to play because if I move out to the other region, at least the current business, which I have a sight into, I will not be losing on the margins and the market share of that.

So that's prudent to move, definitely. If something remains in U.S., the customers would come back for a burden share because this additional 25%, 30% of tariff, if we are shipping from India, would pinch any customer. So they will definitely force us to burden share. For this immediate business, which is like supposed to have been placed either end of July or beginning of August. So this only portion, a temporary thing that we need to tackle through and walk it out.

But yes, fortunately, for us, the exposure is very small. At a group level, it is, as we just discussed, is at hardly about 15%. So that's something we have to quickly tackle. And we are working definitely full time so that this negative impact doesn't come through. So we have to manage the cost as well as this allocation very swiftly and smartly.

**Chirag:** Understood, Pallab. That's very clear. If a number is -- this is a follow-up of this question, if the number is readily available, could you share also as a percentage of the overall OpEx what does the India entity contribute? So it's 4% of profitability for this piece. But what is it on the OpEx side, if that's available readily or I can take it offline?

**Sanjay Gandhi:** Yes, I can understand you in a bit more detail about this offline, I think we can discuss that.

**Chirag:** Okay. Perfect. Last question, just Pallab, you alluded to the fact that given all the uncertainty and the shakeout, possibly what's going to happen is that there are going to be certain customers in the U.S. who are going to sort of go through their own financial trouble or their own operating trouble, and we are kind of steering clear of that.

Could you help us just with what are the broad things that you look at because even a big chain can go through trouble? Just scale will probably not defend someone from the kind of uncertainty that is going on right now? So what are the kind of things that you look at, at a customer end to ensure that ongoing business is protected and they're not going to -- you're not going to get into any receivables or any other related problems, if my question was clear.

**Pallab Banerjee:** No, very clear. And that has been the, one of the foundational structure of our financials prudence that Sanjay had brought in. In fact, as you know, that almost every customer of ours, we have a nonrecourse factoring or a very strong insurance company backing it up. So we do collect a continuous input from them about the health of the customer. That is one way of keeping track.

The second way that we do is that, as we have repeatedly said, that we identify these customers and really invest on them, either myself, our Vice Chairman, Pulkit Seth, or one of our CEOs from Bangladesh, Vietnam, all these locations, we have deeper relationships at the senior or the senior most level of this company so that we have a regular communication with them to understand how they are doing the business and how they're planning the business.

So that also like is always is a route to understand like what's happening to their company, what kind of broad decision that they are taking. So this is something is key as we laid our foundation



for the growth and our objective to be one of the bigger global player. So I would say that we are fairly strong in that journey at this point of time.

And fortunately, the network that we have been able to establish from my past experience and my network and the other CEOs network from each of the locations, we do have a very robust process in which we continue to do this risk mitigation.

Sanjay, like would you like to elaborate more on this in terms of the process that...

**Sanjay Gandhi:**

No, I think -- yes, I mean you have broadly covered the process of various financial discipline which are existing, and this is how it works out. And at the time, there are strategic decision also to be taken and combination of all that drives the entire process, whether it's OpEx, CapEx or any other financial decision which are being taken.

And there is a continuous review and monitoring on the credit risk side as well. So any new customer which is getting onboarded, any increase in the wallet share of the existing customer, the entire validation process has to be run through and is continuously reviewed and monitored on a more regular basis. So that's on the process side.

**Chirag:**

Understood. Perfect. Just a follow-up on this. And these analysis are at a group level or at a buying division level? Is there a need to do it at that level or at a group level sort of you are safe enough -- sorry, not aware of what the internal dynamics look like in those big players. But I don't know if that question was clear. But what I'm trying to understand is, is it enough to do it at a group level?

**Pallab Banerjee:**

Yes. This list is regularly reviewed on a monthly basis and sometimes even twice a month if the situation is tight, if we feel. So that's something that is a very robust process that we have in Pearl, including at the Independent Director level as well.

**Chirag:**

No, I meant at the customer side, is it enough to review their financials at a group level? Or do you need to go down to the buying division, look at cash flows there? Or is it enough that at a group level, things look good and then everything else sort of slows down on its own?

**Pallab Banerjee:**

No -- customer -- no, customers would be -- sorry, like if I'm understanding the question correctly, their financial teams. So we do -- like, for example, I have one customer who wants to increase the business at this point of time. And so we are getting our part of the process like the kind of insurers and all. If they're not getting publicly listed information, so then we reach out to the top level and meet with their financial teams so that this information is complete. Make sense to you? Am I -- able to understand -- yes, yes.

**Moderator:**

The next question is from the line of Pulkit Singhal from Dalmus Capital Management.

**Pulkit Singhal:**

Congrats on a good set of numbers. It's the diversified business model is clearly coming to the fore at this point. Just a few questions. One is that I understand you talked about first half in the U.S. being good, but we were also coming from the backdrop of there was over correction of channel inventory in the previous year and some bit of that was also coming back.

But if tariffs are going to come across all products in the U.S. and it's going to be inflationary, wouldn't that have some level of impact on overall apparel demand? And I'm just thinking that 20%, let's say, baseline tariffs translate to 6% to 7% at an MRP level for the customer purely on apparel.

And obviously, for all goods, they will be paying some higher level of MRP. This is provided the entire thing is transferred to the customer. So in your experience, whenever goods are -- whenever apparel prices have increased so much, what has been the kind of impact?

**Pallab Banerjee:** But I think overall what you're asking is about the U.S. apparel demand and if the -- yes, yes, it's -- is my -- can you hear me? Can you hear me, what I...

**Pulkit Singhal:** Sorry, your voice is cutting, is getting cut, Pallab, at my end.

**Pallab Banerjee:** Maybe there is connection problem at my end. But I understood the question about the U.S. retail price as well as what could be the appetite in terms of the demand. So 2 things out here. U.S., one is like we are seeing some changes, like some of the retailers did change the price ticket where they increased the price ticket, but majority of them have not touched the price ticket as of yet, but decreased the markdown that was prevalent in the market. Hello? Am I audible?

**Pulkit Singhal:** Yes. Yes.

**Pallab Banerjee:** Okay. So yes, like your understanding is correct, like anywhere between 6%, 7% to 10% kind of increase would be needed to absorb this 20% if everything has to be passed through to the customer. The U.S. retailers have got 2 tools, either they have to change the price ticket or they have to do the average markdowns that they do in the market, like while selling the goods. So that has to go down. So that the realization goes up by this many percentage. So that's the obvious math tells us that. How it will pan out, only time will tell.

So far we have seen, the customer that we are shipping to, they have increased their prices, not on all products, but on certain products, certain percentage of the products, almost like about 30% to 40% of the products the price ticket has started changing or markdowns have started changing already in this season, last season. So I think as they do it, as they have the sell-through, their confidence will go up.

Everybody was very skeptical in the beginning. They were not changing their markdowns or the price ticket and was -- initial reaction was to pressurize the cost from the supply chain. But I think now people are experimenting and getting some data on that. Of course, like I'm not privy to the 100% of the data so far. But yes, what I can see is that the projection that they had given to us for spring/ summer season, that showed that confidence in their numbers. We didn't see a major drop.

Now this projection as it is finally placed to us, I think we are in the middle of the placements. So I think over the next 2 to 3 weeks, we will see the numbers are changing or they are maintaining it.

- Pulkit Singhal:** Okay. And secondly, since you're already -- yes, yes. Sir, the second question is because you already have 20% tariffs in other countries, except India, how has been the sharing of -- what has been the expectation of how much burden will be shared by the supplier because 20% is a huge number. I mean, is there some data you can share? I understand because India is now -- they have held back on India, so they're probably not being asked to share as much. But suppose India also settles at 25%, then almost all countries are at 20% to 25%. So in that case, our supply is expected to share...
- Pallab Banerjee:** Yes, the USP, like when this 10% had come in, that's the time almost all the U.S. retailers have started -- yes. I will take this -- answer this in -- so when the first 10% -- am I audible?
- Pulkit Singhal:** Yes, Pallab, please go ahead.
- Pallab Banerjee:** Yes. So as the first 10% was implemented by U.S., we had a reaction from almost all the U.S. customers to do a burden share. And the negotiation or the discussion that went is that when the final numbers of the liberation day will come through.
- So that's the time like we cannot take this. But yes, it is still it is 10%. We offered like whatever, 1%, 2% kind of thing that we had offered as a supplier. Now that when this final number has come in, this is now almost about a week old or just over a week old, we have not heard anything from the customer as yet.
- When the India thing came up of 50% and everybody else at 20%. So that's the time only in the last 24 hours, we have heard from 1 or 2 customers that what will happen, either you move it out or you take this additional 25%. So our answer has been clear that, okay, we would, first of all, move it out because absorbing a 25% doesn't make sense.
- And naturally, they're also speaking about like they can't take this 25%. So they will be counter-costing it in some other country. So that's the kind of first reaction, but it is like too soon to say or to establish an answer to your question because it's just about 24 hours, like only yesterday was the day that this thing started happening. So I don't think everybody has reacted for the specific to India.
- But the last 7 days of the all over tariff that has been declared, we have not heard back from any of the customers of any additional burden share.
- Moderator:** The next question is from the line of Perna Jhunjhunwala from Elara Securities.
- Pallab Banerjee:** No, let's finish this, if I may. Pulkit, like what is the extended question that you're asking?
- Moderator:** Sir, he has left the queue. Pulkit has left the queue. The next question is from the line of Perna from Elara.
- Perna Jhunjhunwala:** Congratulations, sir, on good resilience shown in these tough times. I just wanted to understand what helped you to maintain this kind of margins? And what cost control initiatives did you take to really get over this difficult burden sharing thing that has been initiated by the U.S.

**Pallab Banerjee:**

So if I have to answer that, we have been on the journey of reducing our cost and making the efficiency better. So that's a regular process. I would say that, yes, it does take a momentum as the challenges become more. So that definitely played on our side. But at the same time, the negotiation that happened, like most of these customers came back with a 50% burden share kind of thing.

To reduce that to maybe a 1% or 2% also is something like you are in the position of negotiating it because you're not totally reliant on only one market, I think also played in our favor. If the situation had happened 3 years back or 4 years back, then that would have been a different challenge for us, where our dependence on the U.S. market was almost 90%.

Fortunately, as the growth happened, we accelerated the growth in the other markets. So that gave us some kind of negotiation power. And because of our diversified presence, and I think the customers also realized that it is prudent to go with a vendor like us who can juggle around. This they experienced during the pandemic time.

And with this sudden tariff war situation that we are in country by country. So that readiness is definitely giving us some extra advantage to do this negotiation. So I would say like both sides played equally. One is that the continuous improvement of our efficiency and reduction of cost. And on the other hand, the ability to confidently negotiate as an organization.

**Prerna Jhunjhunwala:**

That's fantastic, sir. Sir, in terms of expanding revenues from other geographies, I think U.K., Japan are one of the most attractive ones right now given the tariff situation there is, like we have an FTA with them eventually with the U.K. also. So in current scenario, just wanted to understand whether India's cost structure would still give us decent profitability to service U.K. market given Bangladesh is at a very strong position in the U.K. market given the cost structure.

**Pallab Banerjee:**

So if I have to say like U.S. is definitely an attractive market because of the size and the opportunity of the various brands where the profitability can vary to a good extent in our favor. So that's why like U.S. continues to be an attractive market. I think after U.S., we find Japan as an attractive market where we see that the quality, like if you can get to that 0% quality defect, then it's an attractive market, which is definitely a barrier in the beginning.

So now we have an experience of almost 6 years of supplying to the Japan market. So that is the reason, for example, like you see that our exposure in Japan has been steadily increasing in the last 1 or 2 years. So that, I think, is definitely a feather in our cap. And after that comes the Australia and the U.K. market.

Now Japan, if I'm talking about these brands like Muji, Uniqlo and certain other brands who are at this point of time experiencing a global growth and we want to -- like, of course, Uniqlo has already achieved it. We are more with Muji, which is at this point of time is a growing brand.

Similarly, if you look at the -- compared to this, the kind of volumes that you get from a U.K. market or from an Australia market is significantly smaller. U.K. is almost about 1/5 or 1/6 of the size of the U.S. market as of now. So naturally we have a presence in U.K. market. We have been executing the business from Bangladesh.

And some of them, because this FTA was under discussion for a long period of time, so there have been the interest to expand in India. So we had started the India business a couple of years back with some of these U.K. retailers. Now they are poised to grow in India as well.

Same thing we are experiencing with the European Union. Now if you talk of the EU market as a whole, that is almost comparable to the U.S. Of course, the EU means like brands from many, many countries. And individually, the brands would have smaller volumes compared to a brand of U.S. or Japan. So this is how it is getting played.

So we definitely are focused to have this footprint, a global footprint. As a result, Japan, Australia, U.K., European Union. And we are keeping a watch on the CIS or the Russian market as well. So let's see how that plays and what's the geopolitics that happens. So these are all the important market.

India, we have been shying away so far because of the cost structure of the Indian or the expectation of the Indian retailers. But I think it will be prudent to have a footprint in India as well now. We have started with 2 small customers out here. We may grow that as well. So that's how we are looking at the diversification as of now.

China, we have not started as yet. But some of these brands are U.K. brands, U.S. brands, so especially U.S. and Japan brands who are significantly present in China, we are servicing them already. So, yes, Perna, like I have expanded your question to all...

**Perna Jhunhunwala:** This was really helpful. So just one more question. Are the U.S. customers also diversifying their delivery locations given that they have multi-country presence so that this tariff...

**Pallab Banerjee:** We have not heard as of yet after this tariff reaction, if we are really putting them more marketing and more diversifying out there. But most of these brands that we are servicing, like Calvin Klein, Tommy Hilfiger, Gap, these are the kind of brands like who have a global presence, American Eagle, Abercrombie & Fitch. So they have more like a global presence as of now.

What we are seeing is that department stores, like if you talk about Kohl's and all, they are more limited to U.S. only. But the brands that we are servicing, they have a global presence. So naturally, for example, if you talk of Gap, Old Navy and all there is a significant business which goes to Canada and Mexico, apart from U.S.A.

And the brands like Tommy, Calvin and all are all over the globe, American Eagle. So these are all over the globe. So that has been an advantage. So although one of the numbers I give you, that our U.S. customers are almost about 65%, but the goods that is going into U.S. is less than 50%. So that's how it plays.

**Moderator:** The next question is from the line of Vikram Suryavanshi from PhillipCapital India.

**Vikram Suryavanshi:** I need a clarification on Bangladesh capacity addition because already we were planning to add 5 million to 6 million pieces capacity in Bangladesh, and there was in opening comment to add 5 million to 6 million. So will that be on top of the existing capacity addition what we are looking at?

- Sanjay Gandhi:** So, yes, the CapEx we have...
- Pallab Banerjee:** Go ahead, Sanjay.
- Sanjay Gandhi:** Yes. So quarter 4 we announced the CapEx that we'll be adding a capacity of 5 million to 6 million in Bangladesh. And this is what was referred right now. So no new CapEx has been committed in the current quarter. So whatever CapEx was committed in the last quarter is what is under execution right now.
- Vikram Suryavanshi:** Okay. Understood. And how will be the Guatemala play out going forward given the tariff situation for the U.S.A. because it is relatively small in terms of overall our capacity. So can we scale up to significant going forward for Guatemala for U.S. market or it will remain at a smaller capacity in overall scheme of things?
- Pallab Banerjee:** We have made some capital expenditure as we took over the existing factory. And at this point of time, the priority will be to breakeven and make it profitable. So as we do that, then we will go for the next expansion or planning of that expansion. As of now, it is. There is definitely a demand from the U.S. market. It's a new country for Pearl Global. It's not an easy country. It's a smaller country, but yes, the work culture, the efficiency levels.
- So as we master that, that, I think, would be prudent to really put in more capital for growth at that place. So as we had declared that at this point of time, our level would be to break even, reduce the kind of the loss that we had last year and then take it up maybe in future. So this is the first step that we would like to go through and there are enough opportunity.
- Of course, Guatemala has only 10% tariff if the goods are made out of the raw material from that region. And that I think is also has to develop because the raw material in that region are limited. As this more and more investments from other parties we are seeing is going into it, if the raw material as it becomes more and more easily available out there, then we can think of the next level of growth. So not immediate. So that's why we have not planned it immediate in the short term.
- Vikram Suryavanshi:** Understood. And last -- yes, understood. I think that was quite helpful. And last question on, probably we have seen sudden U- turn with the U.S. opportunity, but probably we can see Russia may emerge. So currently, who are the major countries supplying to Russia and how that opportunity can play out in future at all?
- Pallab Banerjee:** So Russia is a somewhat smaller market, but there are about 4 or 5 big brands and retailers are there. So we have been studying them. We did a little bit of third-party with some other customers that we spoke to, and we have explored. But there's always a risk because of this geopolitics that we don't want to get associate with supplying to Russia and all.
- But yes, it's better to keep an eye and observe because of the fast-changing world at this point of time. And let's see how that moves. So overall, it will not be a big market. It will be something similar to, I think, Australia market, maybe in terms of size, but yet to come, like yet to know more and we have to really explore that.

**Vikram Suryavanshi:** Understood. So can we put it like because EU is an important market for us and you may not like trade with Russia, so it's better to ignore Russia and focus on EU kind of a thing?

**Pallab Banerjee:** I would say that Russia is a market, but I think it's too premature at this point of time to really speak about it because we are not actively focused on that market. It got split from the EU. Earlier it was part of -- like most of these European Union brands were selling in Russia.

Now after the Ukraine war, it has stopped. Now there is a huge amount of effort that is going on globally to stop this war. And I think that's where, like if you see like India also came into this focus suddenly.

So if this gets resolved -- if this war gets resolved in the next few weeks or months, then maybe like that could be an opportunity that how it shapes up in the geopolitical scenario, then we can look into it. But that doesn't prevent us from studying it. So we are definitely studying China and Russia, and all those markets also will continue to study.

**Moderator:** The next question is from the line of Kishore Kumar from Unifi Capital.

**Kishore Kumar:** Sir, actually, given the tariff deadline of August 27 and there will be some kind of front-loading can happen. What is our full year guidance on the volume? So earlier we guided for 12% to 14%. But in Q1, it was only 3%. So can you give us the guidance on volume, revenues and margins as well?

**Pallab Banerjee:** Sanjay, will you take that, or should I?

**Sanjay Gandhi:** Yes. So I think the yearly volume growth is something which we still stick to our guidance which we have given. We said 12% to 14% CAGR is something which we are confident as we started this financial year. I think given the trend where it has gone in the quarter 1, we have seen the realization going high. So it will be a combination of the volume or the realization going high as it seems.

But yes, to answer your specific question on the volume front, as we speak, with all the recalibration strategy which is being looked after, which looked at, I think we are on course to achieve those kind of a CAGR, 12% to 14% volume growth, which we have stated earlier. So as we get into the H1 of this year and beginning of H2, I think we can give you much more clear guidelines on that.

**Pallab Banerjee:** And if I may add to that.

**Kishore Kumar:** Yes, please. Yes.

**Pallab Banerjee:** The add that I can only do is that Pearl Global is ready to take if some opportunity comes up. As we discussed earlier in this call, like this kind of scarcity is being created suddenly in short term. So that gives an opportunity in the other regions. So these are the kind of readiness that Pearl has, and we will take that opportunity. Last year, the situation in Bangladesh gave us a good opportunity, and we were ready to take it. This year also, if any opportunity comes up, we were ready to take that.

- Kishore Kumar:** Got it, sir. My second question is on the tariff impact of INR11.7 crores that was earlier mentioned. So is it only the discount or on the freight cost as well? I understand that we do FOB method actually of delivering goods. Does that amount include the freight cost as well?
- Sanjay Gandhi:** No, it does not include freight costs. It's all FOB model, as you rightly mentioned. So far, most of our shipment from all the countries are on FOB basis. So that's the tariff discount. No freight cost is included in that.
- Moderator:** Due to time constraints, we will take this as the last question for today. I now hand the conference over to the management for their closing comments.
- Sanjay Gandhi:** Thank you very much. As we reflect in quarter 1 FY '26, Pearl Global has continued to demonstrate resilience and agility amid tariff challenges and global uncertainties. Our ability to navigate a dynamic and often unpredictable global environment reflects the strength of our diversified business model, strategic foresight and operational adaptability. Thank you very much.
- In case of any further queries, kindly reach out to us or Strategic Growth Advisor, our Investor Relations adviser. Thank you.
- Moderator:** On behalf of Pearl Global Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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*"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 8th August 2025 will prevail."*