January 28, 2026

Pearl Global Industries Limited: Rating upgraded to [ICRA]A+ (Stable)/ [ICRA]A1+ and rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based term loan	73.49	43.00	[ICRA]A+ (Stable); upgraded from [ICRA]A (Stable)
Short-term – Fund-based working capital facilities	210.00	230.00	[ICRA]A1+; upgraded from [ICRA]A1 and assigned for enhanced amount
Short-term – Non-fund based	180.00	180.00	[ICRA]A1+; upgraded from [ICRA]A1
Long-term/ Short-term – Unallocated limits	41.66	100.00	[ICRA]A+ (Stable); upgraded from [ICRA]A (Stable)/ [ICRA]A1+; upgraded from [ICRA]A1 and assigned for enhanced amount
Total	**505.15**	**553.00**	

**Instrument details are provided in Annexure-I*

Rationale

The upgrade in ratings on the bank lines of Pearl Global Industries Limited (PGIL) considers its healthy performance in FY2025 and YTD FY2026 and expectation of a sustained healthy growth in earnings and comfortable return metrics over the medium term. The performance is supported by its diversified manufacturing presence across five countries, which largely insulates its revenues and earnings against headwinds, including the ongoing US tariff related ones. In FY2025, PGIL's consolidated revenues grew by 31% on a YoY basis to Rs.4,506.7 crore largely on the back of an increase in sales volumes while in H1 FY2026, the revenues grew by 11.6% to Rs. 2,540.8 crore primarily aided by increase in realisation. Its operating margins has been range-bound reaching 9.4% and 9.2% in FY2025 and H1 FY2026, respectively, supported by operating leverage benefits and cost control measures. The experience of its promoters, spanning over three decades in garment exports, large scale of operations and an established track record continue to support the ratings. Moreover, increased adoption of an asset-light model for expansion is expected to reduce reliance on debt and keep PGIL's financial profile comfortable with healthy return metrics, a conservative capital structure and adequate coverage metrics.

The latest round of US tariffs, effective from August 27,2025, imposed a punitive 25% duty on select Indian goods, taking the effective tariff burden to 60-70% for some categories. This is expected to impact the standalone profitability of PGIL till the resolution of tariff related uncertainties. However, the impact on the group's consolidated profitability is reduced as Indian operations generate around 25% of the consolidated revenues and 8-10% of the group's profitability. PGIL's geographically diversified manufacturing base favourably places it better than its peers, however, it remains exposed to geopolitical risks at respective geographies. ICRA also understands that PGIL is partly diverting manufacturing of its US orders to overseas facilities and processing non-US orders at its Indian facilities. Further, recent signing of the Free Trade Agreement with the UK is likely to provide further diversification opportunities for the company, thus moderating the impact of US tariffs over the medium term.

The ratings, however, remain constrained by the vulnerability of PGIL's earnings to any demand-linked factors, any adverse change in the export incentive rates/ structure, tariffs, volatility in raw material prices and exchange rate fluctuations. Around 70% of the company's manufacturing facilities (in terms of capacities) are located outside India, with a large part of the same in Bangladesh, exposing its operations to geopolitical risks. Furthermore, PGIL's operations are susceptible to intense competition, which limits the scope for bargaining power/ pricing ability. PGIL intends to expand its manufacturing capacity through a proposed debt-funded investment of Rs. 175-200 crore during FY2026–FY2027.

The Stable outlook reflects ICRA's expectation that PGIL's credit profile will remain supported by its stable revenue growth and profitability, aided by improving utilisation of enhanced capacities and focussing on asset-light expansion model. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established track record and enduring relationships with leading global apparel retailers – PGIL's promoters, the Seth family, has more than three decades of experience in manufacturing and exporting apparels. Over the years, the promoters have fostered relationships with leading global apparel retailers, establishing a strong and diversified client base. The company enjoys a preferred long-term vendor status with most leading global brands and has been attracting repeat business from these clients, on a sustained basis, which has facilitated a healthy growth in its scale of operations. This also reflects favourably on its track record and competitive positioning in the apparel sector.

Strong operational profile with large, diversified production capacities and product offerings – Over the years, PGIL has established a geographically strong manufacturing base in leading global apparel export hubs of India, Bangladesh, Vietnam, Indonesia and Gautemala. Besides competitive advantages of these regions (low labour costs/ low tariffs/ duty-free access and reduced transit time), its manufacturing presence across geographies mitigates the risk of country specific regulatory changes. Further, PGIL benefits from its large-scale presence across garmenting segments (men's, women's as well as children's wear) and established relationships with leading global brands/ retailers.

Comfortable financial risk profile – In FY2025, PGIL's consolidated revenues grew by 31% on a YoY basis to Rs.4,506.7 crore largely on the back of an increase in sales volumes while in H1 FY2026, the revenues grew by 11.6% to Rs. 2,540.8 crore primarily aided by increase in realisation. Despite the sizeable debt-funded capital expenditure (around Rs. 500 crore in the last three years) undertaken by the company in the recent years towards enhancement in capacities and consolidation of its capacities across locations, PGIL has a comfortable capital structure, backed by a strong net worth position. In July 2024, the company raised Rs. 149.5 crore through a Qualified Institutional Placement (QIP). This fund raise coupled with increase in retained earning has supported increase in net worth to Rs. 1,155.7 crore as on March 31,2025 (PY – Rs. 802.0 crore). As of March 31, 2025, borrowings had increased to Rs. 773.0 crore from Rs. 588.4 crore a year earlier, primarily due to increase in short-term borrowings. At the same time, cash and liquid investments rose to Rs. 510.0 crore (up from Rs. 339.5 crore the previous year), indicating that there was no significant rise in bank borrowings. Consolidated gearing (Total Debt/ Tangible Net Worth) stood at 0.7 times and TOL/TNW at 1.3 times as on March 31, 2025, over 0.7 times and 1.4 times, respectively, as on March 31, 2024. Going forward, the company is expected to continue to report a gradual improvement in its financial risk profile on the back of healthy revenue growth driven by its plan to widen its product portfolio, client base and geographical diversification over the medium-to-long-term.

Credit challenges

Exposure to geopolitical and tariff risks with large share of business generated from overseas operations – With 70% of the company's manufacturing facilities located outside India, PGIL derives around 75% of its revenues through overseas operations. Thus, these operations are exposed to the risks of geopolitical and climatic conditions of those countries, as observed in the past. While the company has a diversified manufacturing presence, factors like economic slowdown and tariff related uncertainties on the respective geography also remain key risks.

Exposed to client concentration risk, volatility in raw material prices; demand trends in key export markets, forex rates and changes in export incentive structure – Even though PGIL enjoys a preferred long-term vendor status with several renowned global brands and deals with a large set of customers, it derives 55-60% of its sales (consolidated) from its top-five customers. This exposes the company to client concentration risk. However, some comfort can be derived from the strong profile of PGIL's customers and long associations with them, along with an established track record of repeat orders. Like other apparel exporters, PGIL's profitability is vulnerable to the volatility in raw material prices (mainly cotton), which have historically accounted for 50-55% of its cost of goods sold. ICRA understands that the entity enters back-to-back purchase contracts with its suppliers, which to a certain extent insulates the volatility in raw material prices. Additionally, PGIL remains exposed to variations in foreign exchange rates. The forex risk is, however, mitigated to a large extent by the company's stated hedging policy as per which the near-term exposure (less than three months) is largely hedged. Recently, of its total exposure, only 10-20% is being hedged (over the earlier 40-50%) towards getting better realisations. However, according to PGIL's management, it would increase its hedging volumes based on market conditions. Further, like other apparel exporters, high dependence on export incentives in its Indian operations exposes its profitability and competitiveness in the international markets to any adverse change in the export incentive structure.

Limited bargaining power due to significant competition in garment exports business – Intense competition from other textile exporters based in India and other low-cost garment exporting countries limits PGIL's bargaining power/ pricing ability, thereby constraining its margins.

Environmental and Social Risks

Environmental considerations: The sector remains exposed to the risks of elevated input costs owing to increased compliance related expenses faced by the suppliers amid tightening environmental regulations. The industry is exposed to environmental risks, primarily through water, land use, and the impact of climate on production as well as post-consumer waste. While these risks have not resulted in any material implication, policy actions towards waste management like recycling textiles could have cost implications for companies like PGIL. Any disruption in measures taken for appropriate treatment of wastewater/effluents could result in significant penalties, while also having a prolonged, adverse impact on operations, if the authorities take any strict action.

Social considerations: Being a labour-intensive sector, garment manufacturing entities are exposed to the risks of disruptions caused by their inability to manage human capital in terms of their safety and overall well-being. Besides, human rights issues and the inability to ensure diversity, while providing equal opportunity, could pose social risks for the company. Further, any significant increase in wage rates may affect the cost structure of apparel manufacturers, impacting their margins. Shortage of skilled workers could also affect operations/growth plans and remains a key concern. Measures taken by the company towards employee welfare have not resulted in any material impact on its performance from the above-mentioned risks. Further, garment manufacturers are exposed to the risks of conflicts with local communities. Entities also remain exposed to major shifts in consumer preferences or developments, affecting discretionary consumer spending in key markets.

Liquidity position: Strong

On a consolidated basis, PGIL's liquidity profile is likely to remain strong aided by cash and liquid investments of around Rs. 510 crore as on March 31, 2025, cushion in working capital facility and healthy cash generated from operations. In addition, the non-operating income (mainly interest income and rentals) for around Rs. 19.3 crore also supports its liquidity. PGIL has repayment obligations of Rs. 44.2 crore in FY2026 (including term loan availed in FY2026) and planned capex of around Rs. 175-200 crore during FY2026–FY2027. ICRA also notes the fungibility of surplus cash flows across the entities through dividend payouts (from international subsidiaries to the domestic entity) and unsecured loans, which can help manage liquidity across various entities in the group.

On a standalone basis, the company's liquidity position remains strong, reflected by healthy free cash and liquid balances of around Rs. 191.4 crore as on March 31, 2025, and a cushion in the fund-based working capital limits, which stood at 32% of the sanctioned lines on an average during the last 12 months ending in November 2025 (equivalent to Rs. 73 crore). Also, ICRA understands that the entity plans to enhance its working capital facilities further, which is likely to further support its liquidity.

Rating sensitivities

Positive factors – The ratings may be upgraded if PGIL reports a steady and sustained growth in revenue and profitability, resulting in better return indicators, debt coverage metrics and liquidity profile.

Negative factors – Sustained pressure on revenues and profitability, or a sizeable capex/stretch in the working capital cycle, which affects the company's debt coverage metrics and liquidity position, may trigger a downward rating action. A specific credit metric for ratings downgrade includes total debt/OPBITDA remaining above 1.8 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles - Apparels
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated operational and financial profiles of PGIL. See Annexure II for details of the company's subsidiaries (consolidated).

About the company

PGIL (including its subsidiaries), established in 1989 by Mr. Deepak Seth, manufactures readymade garments across categories (knits, wovens, denims, etc) and segments (men's wear, women's wear, children's wear). The company's (along with its subsidiaries') manufacturing base is in India (Gurugram, Chennai and Bengaluru), Bangladesh, Vietnam, Indonesia and Guatemala, with a total manufacturing capacity of around 93 million units per annum. PGIL also had nine partnership factories as on March 31, 2025. The company is an approved vendor of renowned international brands and retailers like GAP, Kohl's, Macy's, Tommy Hilfiger, and Ralph Lauren, among others.

Key financial indicators

Consolidated	FY2024	FY2025	H1FY2026*
Operating income	3,441.0	4,506.7	2,540.8
PAT	169.1	230.8	137.5
OPBDITA/OI	10.7%	9.4%	9.2%
PAT/OI	4.9%	5.1%	5.4%
Total outside liabilities/Tangible net worth (times)	1.4	1.3	1.2
Total debt/OPBDITA (times)	1.6	1.8	1.6
Interest coverage (times)	3.7	3.7	4.3

*Source: Company, ICRA Research; *Result; All ratios as per ICRA's calculations; Amount in Rs. crore, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)					Chronology of rating history for the past 3 years					
	FY2026					FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Jan 28, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Unallocated limits	Long Tem/Short Term	100.00	[ICRA]A+ (Stable)/ [ICRA]A1+	Sep 19, 2025	[ICRA]A (Stable)/ [ICRA]A1	Sep 03, 2024	[ICRA]A- (Stable)/ [ICRA]A2+	-	-	-	-
				-	-	Nov 26, 2024	[ICRA]A (Stable)/ [ICRA]A1	-	-	-	-
Fund-based-Term loan	Long Term	43.00	[ICRA]A+ (Stable)	Sep 19, 2025	[ICRA]A (Stable)	Sep 03, 2024	[ICRA]A- (Stable)	Aug 30, 2023	[ICRA]A- (Stable)	Aug 11, 2022	[ICRA]BBB+ (Stable)
				-	-	Nov 26, 2024	[ICRA]A (Stable)	-	-	-	-
Fund-based-Others	Short Term	230.00	[ICRA]A1+	Sep 19, 2025	[ICRA]A1	Sep 03, 2024	[ICRA]A2+	Aug 30, 2023	[ICRA]A2+	Aug 11, 2022	[ICRA]A2
				-	-	Nov 26, 2024	[ICRA]A1	-	-	-	-
Non-fund based-Others	Short Term	180.00	[ICRA]A1+	Sep 19, 2025	[ICRA]A1	Sep 03, 2024	[ICRA]A2+	Aug 30, 2023	[ICRA]A2+	Aug 11, 2022	[ICRA]A2
				-	-	Nov 26, 2024	[ICRA]A1	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - fund based term loans	Simple
Short-term fund-based working capital facilities	Simple
Short term - non-fund based	Simple
Long term/ short term - unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term - fund based term loans	FY2015	NA	FY2029	43.00	[ICRA]A+ (Stable)
NA	Short-term fund-based working capital facilities	NA	NA	NA	230.00	[ICRA]A1+
NA	Short term - non-fund based	NA	NA	NA	180.00	[ICRA]A1+
NA	Long term/ short term - unallocated limits	NA	NA	NA	100.00	[ICRA]A+ (Stable)/ [ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Norp Knit Industries Limited	99.99%	Full Consolidation
Pearl Knitting & Dyeing Industries Limited[1]	99.90%	Full Consolidation
Pearl Apparel Fashions Limited^	100.00%	Full Consolidation
Pearl Global Kausal Vikas Limited	100.00%	Full Consolidation
Pearl Global Fareast Limited	100.00%	Full Consolidation
Pearl Global (HK) Limited	100.00%	Full Consolidation
Gogreen Apparel Limited	100.00%	Full Consolidation
Pearl Global USA, Inc	100.00%	Full Consolidation
Sead Apparels Private Limited	100.00%	Full Consolidation
Pearl GT Holdco Limited*	80.00%	Full Consolidation

*^liquidated in FY2023; *with effect from FY2024*

Note: The consolidated financials of above-mentioned entities capture the financials of their respective subsidiaries, i.e. indirect/ step-subsidiaries of PGIL (not listed in the table above);[1] incorporated by PGIL in FY2025.

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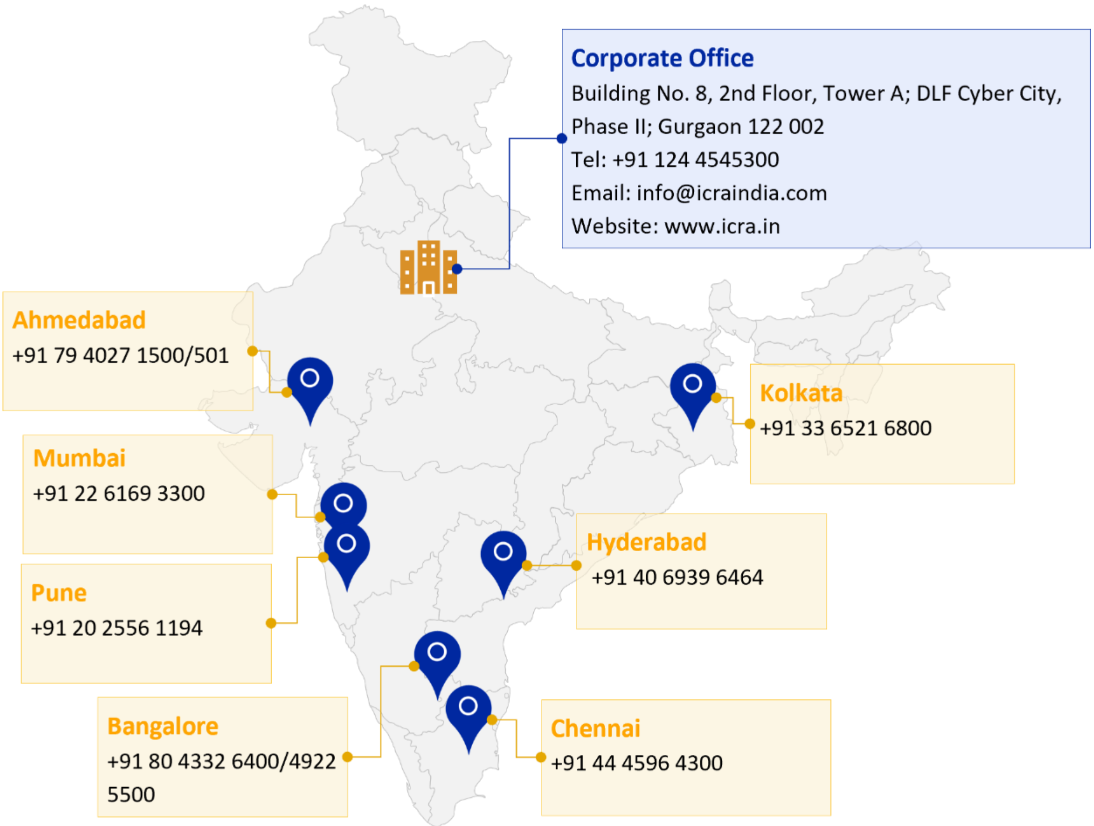

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