



PDS

Global | Collaborative | Digital | Ethical

ANNUAL
REPORT

22
23



FASHION
SIMPLIFIED

CORPORATE
OVERVIEW

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www.pdsltd.com

Forward-looking statements
Some information in this report may contain forward-looking statements which include statements regarding Company’s expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward-looking words such as “believe,” “plan,” “anticipate,” “continue,” “estimate,” “expect,” “may,” “will” or other similar words. Forward-looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.



FASHION SIMPLIFIED



As a **global fashion infrastructure company**, we at PDS are committed to simplify the entire fashion value chain from designing and sampling to sourcing and manufacturing for the brands & relation we cater to.

We have built a unique, asset-light and robust platform, providing the right infrastructure and knowhow to global retailers and brands worldwide. The combination of talent, technology, strong balance sheet, sourcing synergies with partners and an unwavering focus on ESG enable us to create value in a sustainable manner.

Powered by a simple, efficient and effective business model, our aspiration is to emerge as a \$2.5-billion company in 3-5 years.

Our innovative ideas, robust supply chain, strong relationships with retailers and brands, along with sustainable business practices enable us to simplify fashion. For us, the core concept of fashion simplified extends beyond business priorities and reaffirms our commitment towards ensuring a better tomorrow for all people and the planet.



A GLOBAL FASHION INFRASTRUCTURE COMPANY

PDS AT A GLANCE

Commencing our journey in 1999, we are today present in over 22 countries with offices across design, sourcing and manufacturing verticals.

With decades of experience in the fashion industry, we have developed a keen design sense and have adopted the latest techniques and technologies to cater to the preferences of consumers worldwide. Our team of experts provide seamless and comprehensive solutions to our clients.

Our customised solutions enable us to cater to the entire value chain through our service offerings including design-led sourcing, sourcing as a service, brand management and manufacturing. Our offerings enable brands and retailers to focus on the point of sales, while we become their partners in the value chain.

Our team of experts provide seamless and comprehensive solutions to our clients.

Power of the PDS Platform

\$1.32 billion+

Revenue

3,982

Employees

6,151

Factory Associates

250+

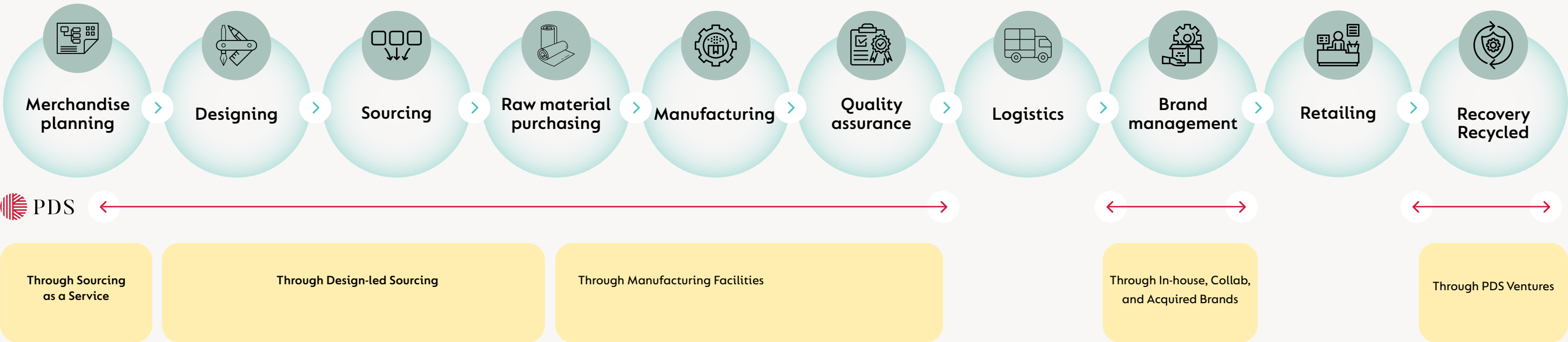
Dedicated designers

600+

Partner factories



Present across entire fashion value chain

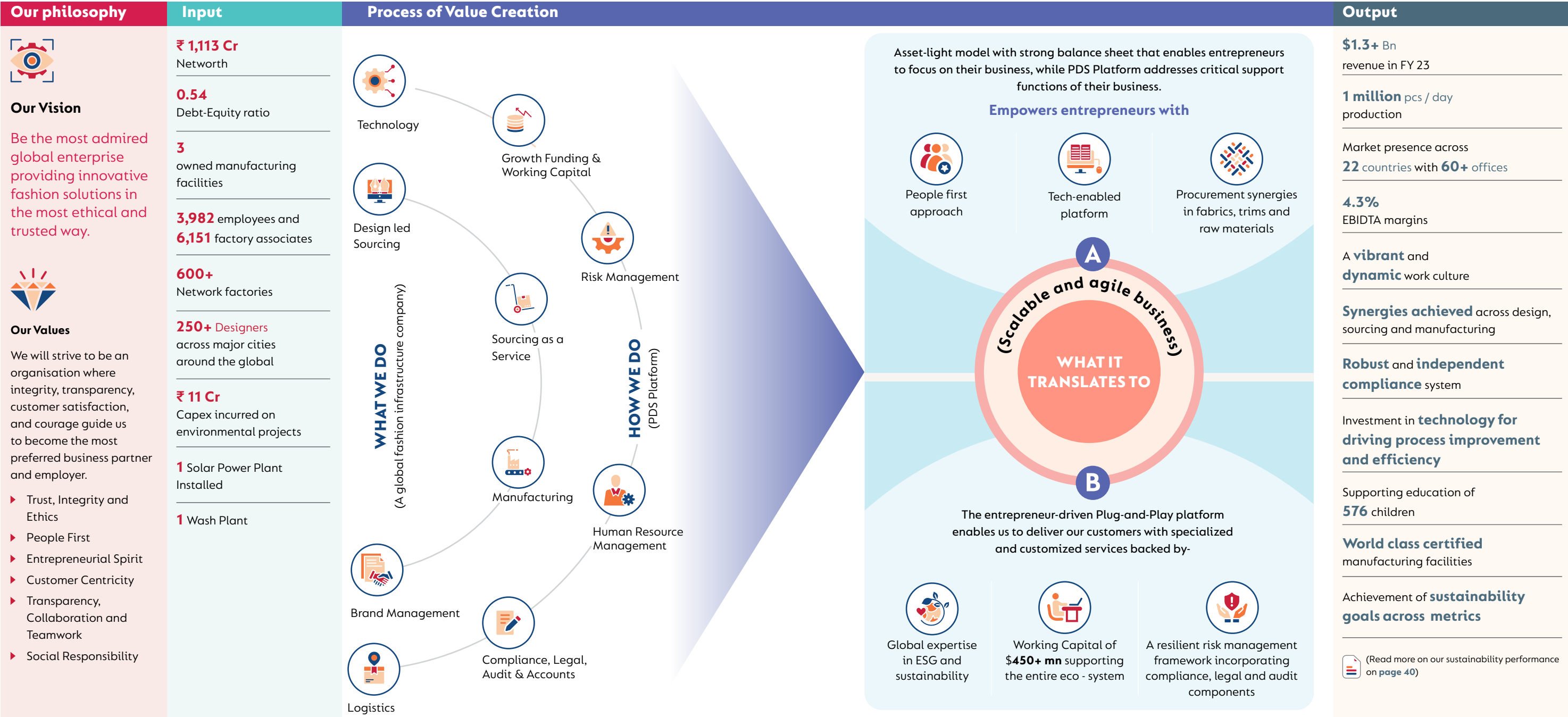




HOW WE CREATE VALUE SUSTAINABLY

A UNIQUE BUSINESS MODEL

Our unique business model is an synergy of multiple operations that empowers entrepreneurs in our ecosystem to thrive. With our collaborative approach, strong governance, and innovative designs, we are building a value-accretive business.



What we achieve:



Attract and enable entrepreneurial creativity



Maximise customer relationships



Drive economies of scale and synergies across operations



Deliver world-class customized offering and services to customers



RESILIENT WITH A LONG-TERM FOCUS

FINANCIAL PERFORMANCE

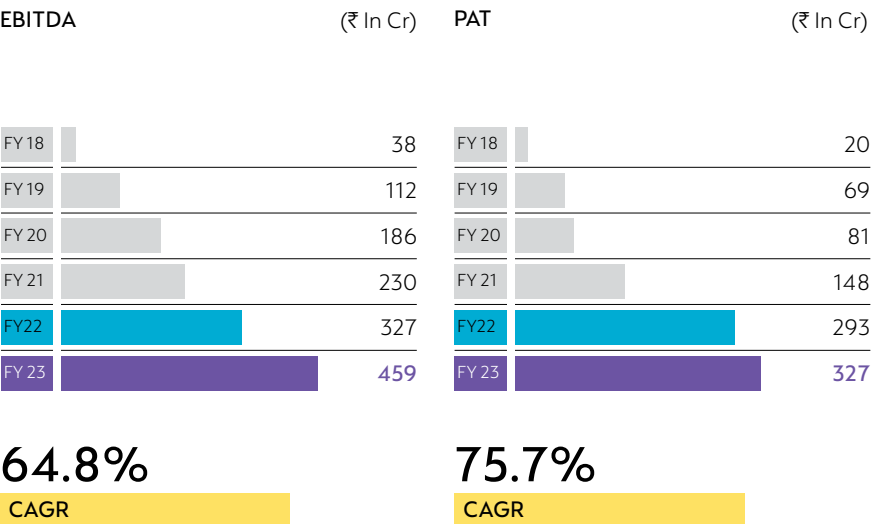
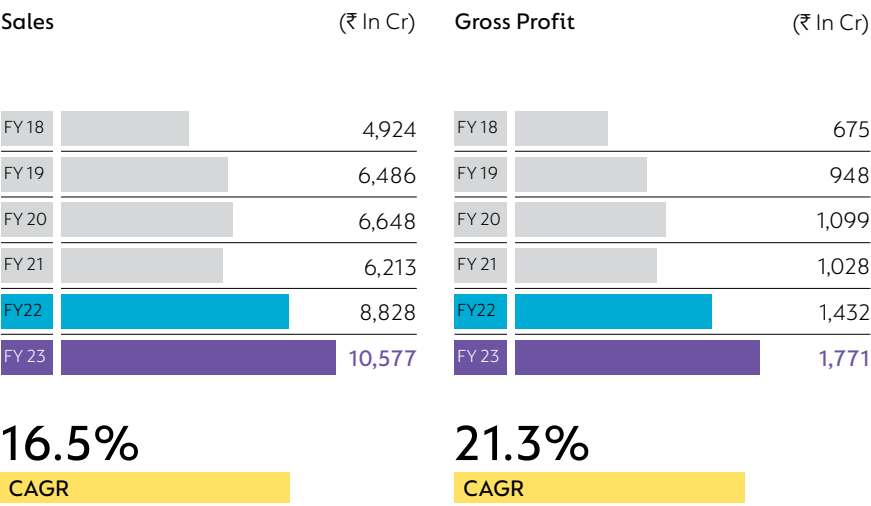
Our consistent performance is a testament to our strong management, effective strategies, and efficient execution of business operations, which have enabled us to maintain our growth trajectory despite economic headwinds.

Segment wise performance

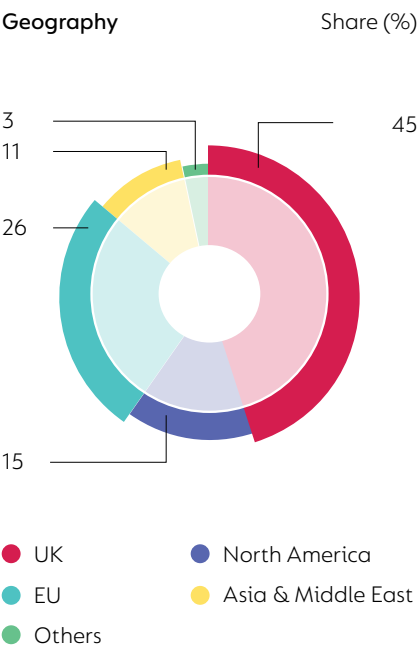
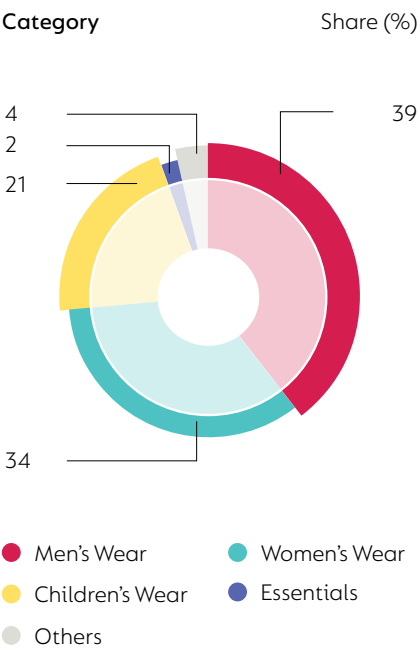
| | Sourcing | Manufacturing | PDS Ventures and other | PDS Consolidated |
|-------------------------------|------------|---------------|------------------------|------------------|
| Revenue | ₹10,105 Cr | ₹703 Cr | ₹4 Cr | ₹10,577 Cr |
| EBIT (including other income) | ₹366 Cr | ₹30 Cr | ₹31 Cr | ₹431 Cr |
| Gross Capital Employed | ₹768 Cr | ₹515 Cr | ₹430 Cr | ₹1,713 Cr |
| Net Capital Employed | - | - | - | ₹984 Cr |
| ROCE* | 48% | 6% | 7% | 44% |

*Segmental ROCE is based on Gross Capital Employed and Consolidated ROCE is based on Net Capital Employed PDS Consolidated numbers are post eliminations

Encouraging growth



Revenue breakup





MESSAGE FROM CHAIRMAN

GUIDED BY THE HIGHEST STANDARDS OF ETHICS AND TRANSPARENCY



Deepak Kumar Seth

Chairman

Dear Shareholders,

It gives me immense pleasure to present our Annual Report for the fiscal year 2022-23. In another year marked by challenges, we maintained our position as one of the most preferred business partners for our customers and employer for our diverse workforce.

We are building strong connections with new brands and retailers while strengthening our existing customer relations. We are guided by the highest standards of ethics, transparency, customer satisfaction, and governance at a time when the world economy is roiled by geopolitical upheavals, elevated inflation, and sustained rate hikes implemented by Central Banks globally.

Despite the disruptions in the value chain, we achieved a record year

reaching a topline of ₹ 10,577 cr thereby positioning ourselves as India's largest multinational B2B apparel company¹ in terms of the size of business.

However, in light of such global macroeconomic and geopolitical developments and supply chain disruptions, we as a Company, are focused on treading carefully in order to maintain our growth and profitability momentum. Nevertheless, we are confident that the resilience of our platform and our well-thought-out strategy would help us stay ahead of these challenges in the long term. Moreover, our presence in multiple markets globally helps us capitalize on the evolving opportunities.

Focused on Sustainable & Ethical Growth

As a responsible company, we expanded our efforts towards a cleaner, safer world by lowering our energy footprint and incorporating sustainability into our business practices. Driven by our holistic approach, we believe that environmental and social aspects are key to the growth of our business.

During the fiscal, we commissioned a state-of-the-art wash plant in Progress Apparels Bangladesh Ltd., one of our manufacturing subsidiaries in Bangladesh. The new wash plant has the capacity to wash six million garments per annum. With this, the facility can now manage 90 percent of the current wash requirement in-house, translating into savings in costs and faster turnaround time in production.

Our Company also commissioned a state-of-the-art fabric cutting plant at Norlanka Manufacturing Colombo Ltd, our Sri Lanka based subsidiary which aims to improve fabric utilization and reduce fabric waste going into landfills.

We installed solar panels at Norlanka and also invested in installing rooftop

solar panels in our Bangladesh factory unit. These initiatives are augmenting our efforts toward becoming a carbon-neutral company.

Demonstrating our strong commitment to the environment and sustainable initiatives, we joined the UN Global Compact this year. This is a voluntary initiative to implement universal sustainability principles and to take steps to support UN goals.

In addition to our environmental initiatives, our community programmes and outreach activities continue to reflect our commitment to being a socially conscious Company that focuses on building resilient and empowered communities. We believe in providing quality education to underprivileged children, which will help them with skills they need to provide for themselves and their families in the future, thereby breaking the vicious cycle of poverty.

We as an organisation came together to support regions that faced a political or natural crisis. During the economic crisis in Sri Lanka, we set up a Community Kitchen in collaboration with St. Annes Church, The Voice Foundation, PHI, and other government officials, wherein we distributed warm meals daily. We partnered with NGOs in Turkey to provide aid and relief to those affected by the recent earthquake that highly impacted several lives. We contributed towards container houses, for housing people of the impacted areas and distributed essential items such as blankets, cold-weather clothing cartons, and sleeping bags. These efforts demonstrate our commitment to making a positive impact on the communities we operate in.

PDS is built on a culture in which talent is acknowledged, trusted, and treated with respect and empathy. Our diverse and inclusive workforce is our most valuable asset, enabling us to constantly innovate, set new benchmarks, and



We will continue to build on our global footprint and visibility, and our aspiration is to emerge as a \$2.5 billion company in the foreseeable future.



outperform. During the fiscal year, our India and Sri Lanka operations were recognised as 'Great Places to Work@,' and this accreditation proves that we are on the right track. We pride ourselves in having a workforce spread across 60+ business verticals in various geographies, comprising of 10,000+ employees and factory associates of 25+ nationalities, of which nearly 58% are women.

Our journey of growth is backed by the diverse knowledge and expertise from our esteemed Board of Directors. During the fiscal, we welcomed B G Srinivas as an independent and Non-Executive Director of our Company. B G Srinivas has over 30 years of experience in the information technology sector and was previously the President and Whole-time Director of Infosys Limited. He is a well-known and respected member of India Inc. with global expertise and experience in strategy, operations, and finance, especially in the technology sector.

Lastly, I would like to thank our teams for helping us in consolidating our position as a reliable enterprise with a global footprint. I must thank our customers for their continued support, as well as our shareholders for their continued trust and confidence in our brand, our strategy and our vision.

Best regards,

Deepak Kumar Seth
Chairman

¹based on the reported topline of listed companies in India in the apparel space



MESSAGE FROM VICE CHAIRMAN

END-TO-END CAPABILITIES CATERING TO THE GLOBAL FASHION VALUE CHAIN



Pallak Seth

Executive Vice Chairman



Dear Shareholders,

PDS – Fashion Simplified

When one looks closely at PDS's business model, it is rightly summed up in two words 'Fashion Simplified.' Our presence across the entire fashion value chain defines the uniqueness of our business model and enables us to serve our customers across the value chain. Given the ever-changing industry dynamics, our business model allows retailers and brands to focus on their front-end operations, customer acquisition, and expanding their market presence, while we cater to their supply chain infrastructure needs.

PDS is seen as a credible business partner wherein credibility refers to the ability to provide global sourcing solutions with adherence to the highest governance standards, transparency, compliance, and financial stability. Over the years, we have grown into a large global fashion infrastructure platform because of the distinctive strengths of our business model which include:

- Design-led sustainable and responsible sourcing
- Curated service offering
- End-to-end capabilities
- Global footprint
- Digital solutions
- Strong financial and risk management capabilities
- Venture arm feeding innovations across sustainability and circular economy

Capitalising on opportunities

While global economic pressures, high cost of capital, and supply chain disruptions are looming over the industry, we are witnessing new and strategic opportunities that are unraveling. Retailers and brands are exploring credible third-party counterparts who can support their businesses and operations seamlessly. With an aim to capitalize on these opportunities, PDS has been curating customized solutions for its customers and has been successful in gaining long-term strategic agreements.

A year and a half back, we launched Sourcing as a Service which witnessed good traction with PDS signing contracts with marquee retailers & brands with a potential to handle merchandise value of over \$1 billion. We see this traction continuing in FY24 as retailers tackle a challenging market environment and are looking for a trusted partner to offer solutions to improve operating efficiencies.

We are pleased to share we are also seeing the opportunity to expand into high margins and value accretive services including wholesale and brand management solutions. One such exciting product offering is complete brand management solutions where we run the head offices of global retailers. In the future, there are many global retail companies that want to have design as a service for their brands but find it challenging to hire the right people and put the structure in place and PDS is perfectly positioned to support them.

PDS, through its UK subsidiary, entered into a license agreement with the Authentic Brands Group (ABG) for the Forever 21 brand. Under this agreement, we have been granted the rights for the manufacturing, marketing, and distribution of Forever 21 in the United Kingdom and European regions, including Germany, France, Spain, and Switzerland amongst others. We will deliver quality products and great style to consumers in the UK and Europe while opening doors to bring on board the best-in-class partners in our supply chain. We believe opportunities like these will further enable us to expand our offering to other marquee brands.

In 2022-23, we acquired two businesses – Sunny Up, a UK based licensing business, and DBS Lifestyle, India based design and sourcing business. We acquired a 100% stake in Sunny Up, that holds the exclusive European license for Stan Ray and other distribution rights.

Given that India has been gaining tremendous traction in the global fashion space, both from a supply and demand standpoint, we acquired 51% stake in DBS Lifestyle, a design-led company catering to fashion and home categories. With this strategic transaction, we have augmented our capabilities in India and are further building our design capabilities for servicing global customers.

Our focus is on driving business through long-term strategic partnership which significantly enhances medium to long-term visibility of the business and drives the annuity stream of revenue for PDS. Further, this is enabling us to transition from transactional orders and focus on value-accretive businesses driving higher margins along with better return ratios in the long term.

During the year our growth aspirations in the US markets were dampened owing to strong macroeconomic headwinds. However, we are positive about strengthening our foothold in the US market in the long run. Meanwhile, we are exploring new geographies, namely, India and Egypt, for strengthening our footprint in this region. We believe that this will help us capitalize on benefits



Our focus is on driving business through long-term strategic partnership which significantly enhances medium to long-term visibility of the business and drives the annuity stream of revenue for PDS.



flowing from reduced shipping time and duty-free exports to major markets like Europe, UK & USA.

With the growing regulatory focus on sustainability, we are future proofed with the ecosystem that has been built through our venture investments. The innovations created by our investee companies also offer us an entry point to work with top global retailers who wish to partner with us in their sustainability journey.

We are evolving with the global markets and continue to build resilience to the upheavals in this dynamic economic and fashion landscape. We believe that the coming few quarters will be challenging and will impact on our growth in the near term, however that the long-term outlook is positive and we expect recovery towards the second half of the year. As a global platform, we continue to focus on strengthening our capabilities and are very much geared to continue to aspire to achieve more than \$2.5 billion of topline in the next couple of years along with a gradual increase in profitability.

I extend my gratitude to our customers, partners, employees, and other stakeholders who have placed their trust and confidence in us. I am very excited about the path we are on, and confident that you will see a bolder PDS as we step into FY 2023-24 and beyond.

Warm regards

Pallak Seth
Executive Vice Chairman



MESSAGE FROM GROUP CEO

PURSUING STRATEGIC PRIORITIES ALONG WITH OPERATIONAL EXCELLENCE



Sanjay Jain

Group CEO

Strong financial performance in spite of macro headwinds

I am very pleased to share that PDS has delivered 20% growth in the financial year 2022-23, with a top line of ₹10,577 Cr. This was accompanied by a gross margin of 16.7%, an expansion of 53bps compared to last year. This translated into ₹459 Cr EBITDA, a growth of 40% over the previous year and a 4.3% margin.

Our sourcing segment, which accounts for 96% of our top line clocked 19% growth compared to the previous year, at ₹10,105 Cr. The business reported an EBIT of ₹366 crores, reporting 18% growth in comparison to the previous financial year. Overall, the sourcing segment achieved 48% return on gross capital employed. The new verticals that were on-boarded in the last two years, achieved ~2x increase in topline, however, given some of them are still in the gestation phase continue to have impacted the profitability of the segment. Furthermore, as we grow curated offering like Sourcing as a Service and Brand Management solutions, we would witness a favourable impact on our profit margins and return ratios.

Our manufacturing segment reported a growth of 28% with a topline of ₹703 Cr compared to ₹547 Cr in FY22. The segment achieved its first full year of profitability journey with a PAT margin of 2.6% in FY23 vs a loss of around 3.6% last year. We are focusing on driving our profitability journey in this segment. During the year, we expanded our capabilities across our

made new investments across our value chain in capabilities, people, and technologies amongst others. We registered a strong operational and financial performance in spite of a challenging business environment impacted by macroeconomic & geo-political factors. This would not have been possible without the collaborative spirit of the entire PDS platform as well as all our valuable partners.

Dear Shareholders,

It gives me immense pleasure to write to you at the conclusion of fiscal 2022-23. The last fiscal has been a year of opportunities and uncertainties.

The first half of the year started on a strong note with the second half facing muted demand. We continued to work towards our strategic objectives and

manufacturing vertical. Our Bangladesh facility launched a wash plant which was funded by Good Fashion Fund. Good Fashion Fund is a one-of-its-kind impact investment fund initiated by the Laudes Foundation, aimed to drive systemic change in the textile & apparel industry, by financing the implementation of state-of-the-art and disruptive technologies and innovations delivering good fashion practices. Further, we also launched a centralized cutting plant in Sri Lanka. These investments are a key step towards further enhancing the PDS manufacturing vertical capabilities through state-of-the-art machinery and digitalized processes.

This year we witnessed a multi-fold increase in our interest costs, with base rates namely LIBOR / SOFR increasing from <0.1% to over 4% in the last year. This translated into a higher interest cost, which impacted the bottom-line profitability, with a Profit After Tax of ₹327 Cr.

In spite of these challenges, we reported a return on capital employed of 44% and a return on equity of 29%. We continued to operate with a negative working capital cycle of 2 days with a negative net debt of ₹128 Cr as of March 31st, 2023. Further, in line with our dividend distribution policy, the Board of Directors proposed a 255% dividend of ₹5.10 per share of which ₹2.60 per share was distributed as interim dividend during the year.

Strengthening the PDS Platform

Our business success is closely linked to the robustness and grit of the platform. We are continuously making strides to further enhance our capabilities in order to cater to our global businesses. As a platform, we are working effortlessly to strengthen our digital capabilities to drive process improvements and efficiencies. We are using technology to develop tools enabling us to improve and provide sharper costing to our customers. Additionally, digital tools combined with data are enabling us to continuously improve our working capital cycle driving better collection and payment cycles. Further, we have augmented our teams by hiring experts in Fabric, Yarn, and Trims who shall enable us to drive group procurement synergies, which currently are untapped. The various initiatives that are being undertaken are driven by

Levers of Growth



industry and functional experts who have recently associated with PDS.

Going forward

With a positive outlook for our future, we aspire to double our business within the next three to five years. Our asset-light platform has enabled us to navigate through the challenges faced by the global fashion industry.

Further, as we expand our customer network, we are also expanding our vendor network to regions that are vital from a fashion supply chain perspective. We believe that India is poised to emerge as a significant player in the worldwide apparel industry, bolstered by the commendable efforts undertaken by the Indian government. We have steadfastly expanded our presence in India and have entered into exclusive sourcing arrangements with several prominent brands. In addition to our own factories

located in Bangladesh and Sri Lanka, as well as our partner factory network, we are keen to explore further opportunities to expand our partner factory network in India. This strategic move will enable us to leverage the enormous potential of the Indian market and enhance our overall business operations in a sustainable manner. Our strategy to increase our penetration in the US markets by exploring investments in factories in countries such as Egypt, with shorter lead times, further reinforces our commitment to our customers.

Adapting to market needs, we are continually positioning ourselves as a one-stop-shop solution provider for our customers. As we move forward, our integrated global business model and innate strengths will empower us to seize emerging opportunities in the global fashion market.

Finally, I would like to offer my sincere gratitude to all the employees of PDS for their dedication and contribution to the organization. I also remain extremely grateful to our shareholders and other stakeholders for their continued support.

We look forward to another successful year and aim to achieve newer heights of success.

Best regards,

Sanjay Jain
Group CEO



I am very pleased to share that PDS has delivered 20% growth in the financial year 2022-23, with a top line of ₹10,577 Cr. This was accompanied by a gross margin of 16.7%.





AN INSIGHT INTO OUR BUSINESS CANVAS

FASHION SIMPLIFIED

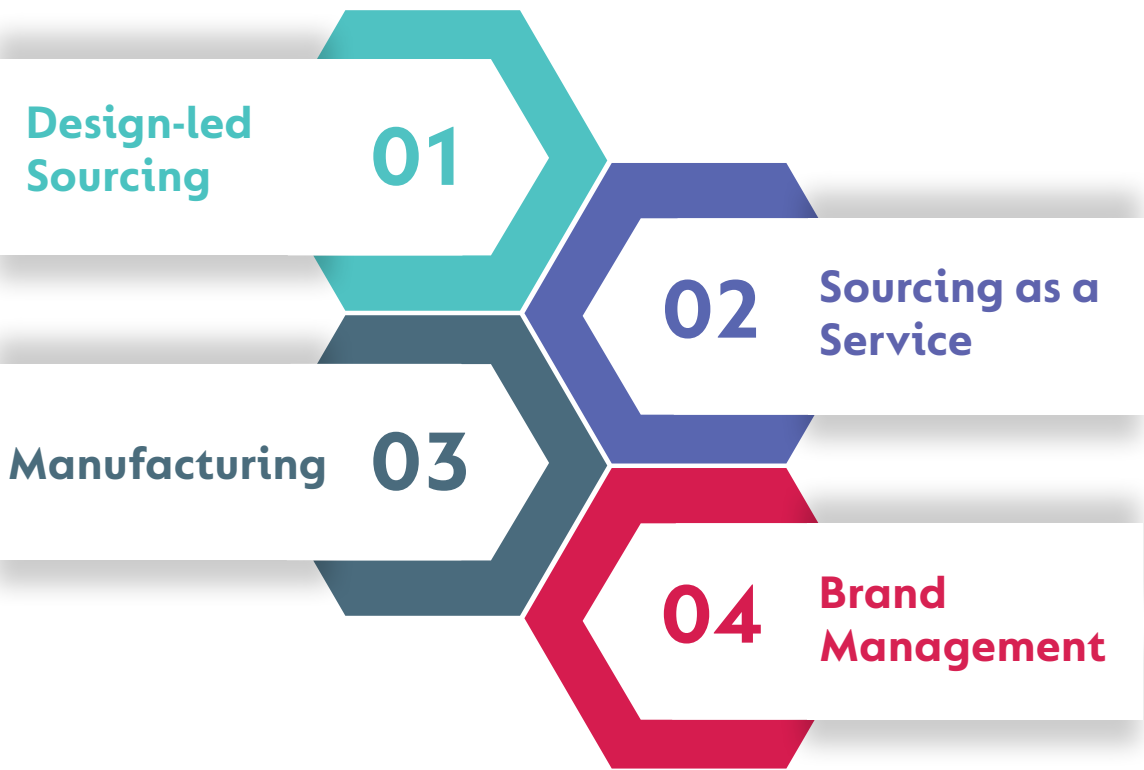
Our asset-light business model is backed by in-house design capabilities, a strong compliance framework, and a strong digital system enables us to overcome the challenges of critical stages of the fashion supply chain.

In today's ever-changing global market, the retail industry is witnessing a significant transformation. With the emergence of outsourcing trends, sustainability and compliance have taken center stage, further accentuated by the unprecedented disruptions caused by the pandemic.

As a result, brands and retailers are shifting their focus from low-cost suppliers to strategic sourcing partners who can not only keep up with the emerging trends but also align with their values and principles. In this context,

we at PDS, understand the dynamics and have defined 'what we do in our business', bridging the gap in the fashion supply chain that are crucial. This has enabled us to stay ahead in the game and thrive in a competitive landscape.

As a global fashion infrastructure company, our core business operations involve:



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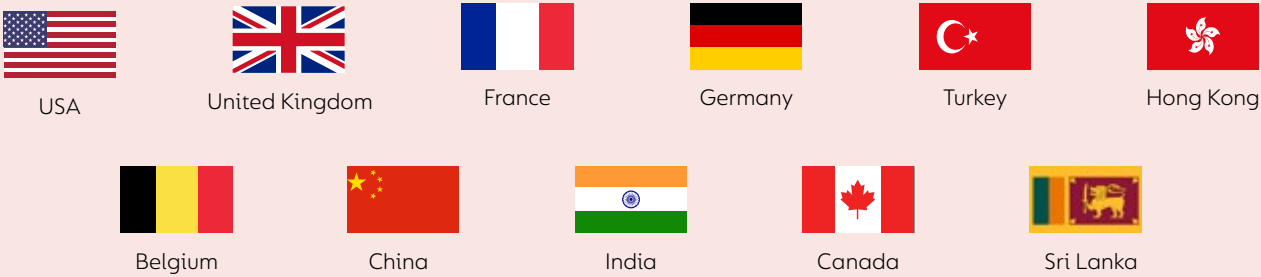
Design-Led Sourcing

In today's competitive market, it is becoming increasingly important for fashion brands and retailers to focus on their core business to sustain their growth and market share. At PDS, we step in at a critical juncture of the entire fashion value chain – sourcing. Our design-led sourcing model helps brands and retailers optimise their sourcing strategies, reduce costs, improve quality and ensure the timely delivery of apparel.



Global design-led ecosystem

To foster innovation and collaboration among diverse teams to create sustainable and user-centric solutions, we are present across:



Enjoying inherent competitiveness



Delivering customised solutions

- Trend Forecasting
- Design Direction
- Graphic, Textile Design, Fabric R&D
- Circular 3D Design