

Interviews

PDS Limited warns of 'perfect storm' for apparel in coming months

Pallak Seth, vice chairman at PDS Limited reveals the immediate challenges facing the fashion sector as high inflation continues to hit brands' inventory levels with many "discounting at a loss".

Rachel Lawler | December 7, 2023

Share
this



In April 2023, PDS Limited signed a long-term deal with Authentic Brands and became a global hub for design and innovation for Ted Baker. Credit: Shutterstock.

India-headquartered fashion infrastructure company PDS Limited has had a strong couple of years. Despite the world's slow recovery from the Covid-19 pandemic, and the ongoing pressure of high inflation on the apparel sector, PDS is going from strength to strength.

In 2022, [it announced it had acquired a 51% stake in India-based design company DBS Lifestyle](#), gaining

access to retailers and brands in India's thriving fashion market.

In April 2023, the company signed a [long-term deal with Authentic Brands, becoming a global hub for design and innovation for Ted Baker](#) and taking over design and merchandising for the brand.

[Three years ago, PDS told Just Style it had emerged stronger than ever from the crisis caused by the global Covid-19 pandemic.](#) But now with the cost-of-living crisis hitting consumer budgets, alongside rising energy and freight costs, how confident is the company about its future?

I met with PDS' vice chairman Pallak Seth at the company's headquarters in London for an update on the company's recent progress and how it is dealing with the current global rocky climate.

In the UK for instance, [several fashion retailers reported struggles with autumn sales as unseasonably warm weather caused many consumers to delay their purchase of coats and jackets.](#)

"It's becoming an issue," Seth said. He added that fast fashion giants can be agile and respond to these unpredictable changes much more quickly than other apparel companies. "If they see demand, they can manufacture within two to three weeks – which is unbeatable."

Seth added he sees these companies as "fast production" businesses, which then in turn fuel fast fashion trends. He also said he thinks it's right these types of businesses are criticised by activists looking for the fashion sector to reform.

“I think that’s a very healthy check and balance for the industry,” he said. “We need to engage with them and be part of the solution together.”

The post-pandemic period has also seen a shift in the fortunes of online apparel retailers, which all seemed to benefit from a boost in shoppers during lockdowns. Many of these, including [Asos](#) and the [Boohoo Group](#) seem to have floundered since, as many consumers returned to high streets after restrictions lifted.

“It’s a challenging time for the industry right now, especially in the UK, US and Europe,” Seth said. “There’s no new money from capital markets going into retail business.”

Earlier this year, [PDS’s Poeticgem business purchased struggling womenswear brand Little Mistress](#), which saw sales of its occasionwear fall during pandemic lockdowns. Seth said he thinks the acquisition will help take the label “to the next level” and thinks this trend for smaller brands will continue as many will struggle to survive the coming months.

“This industry is going to have such a difficult time,” Seth said frankly. After being in the fashion sector since 1999, he pointed out it is now facing one of the toughest periods he has seen, due to the cost-of-living crisis reducing the amount that consumers spend on apparel.

Alongside this, many retailers have a significant amount of inventory – which Seth says has been more expensive than usual due to increased cotton and freight costs – leading many to discount at a loss. “That’s putting pressure on the whole sector,” he stated.

‘Perfect storm’ for apparel sector

Seth highlighted that an increasing number of brands have been looking to diversify their manufacturing base after the pandemic to prevent being heavily dependent on any single region again.

However, with consumers now spending less on clothing due to the increased cost of food and energy, Seth added some factories that opened outside of China in the immediate aftermath of the pandemic are now struggling with the reduced demand.

“There’s deflation of pricing as well as falling demand,” he said, which he described as a “perfect storm” for the industry.

In response to the pending EU legislation that aims to push the fashion sector towards circularity, PDS has invested in innovative materials science solutions as well as technology to trace textiles throughout the supply chain.

“After the pandemic, we’ve really moved forward to the next level where people are serious about it.”

He added that PDS’ investment in sustainable innovations will be key when new legislation on climate change comes into effect.

Labour rights and minimum wage around the world

While Seth believes the apparel sector is generally slow to move on sustainability concerns, he pointed out that one area where people are much more keen to make positive change is labour rights.

“Every retailer today embraces and delivers whatever the minimum requirements are. The human impact – everyone takes that seriously and complies with almost immediately.”

He added that PDS will not compromise on this at all and would prefer to walk away from a partnership rather than sacrifice the human aspect of its global supply chain.

Last month (November) the apparel sector witnessed [protests in Bangladesh following negotiations on the new minimum wage for garment workers in the region](#). Four workers were killed during the unrest and some factories had to temporarily close.

Despite the turbulent situation, Seth explained PDS' factories in the region only closed for three or four days, and “normalised very quickly” afterward.

“Bangladesh is probably the most competitive, most transparent and the most environmentally friendly manufacturing location in the world,” he claimed. He was also quick to note it is a “very resilient country” and expects the region to bounce back once things have settled down. He added the garment sector in the country has also seen much improved health and safety in recent times.

Looking ahead to the future, Seth shared PDS remains optimistic despite the huge challenges facing the sector: “We find that crisis brings opportunity.”

He added that PDS has ambitions of becoming a \$5bn business within the next five years as it plans to continue investing and expanding, and concluded: “We find that if you do things in the right way, with the right capital structure, keeping trust and transparency with regards to your stakeholders, then the opportunities come.”

Share

Apparel sourcing and textile industry news & analysis

Powered by 

© Verdict Media Limited 2023
