

GLOBAL MARKETS

The Indian Entrepreneur Disrupting the Global Sourcing Industry

PDS Limited founder Pallak Seth has created a next-generation sourcing platform used by brands like Zara and Gap, challenging the dominance of Hong Kong supply chain management giants.



Pallak Seth is the founder and executive vice chairman of the Mumbai-listed, Hong Kong-based sourcing company PDS Limited.
(Pallak Seth)

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Pallak Seth arrived in Hong Kong in 1999 with \$250,000 from his father to establish his own business, alongside the family's garment factory in India. Keen to source new product categories from China and to serve clients introduced by his father, he set about establishing relationships with factories there, offering differentiated fashion products to retailers across Europe. Six years later, Seth teamed up with Sunny Malhotra, his first hire, and the duo never looked back.

“That was the start of PDS's journey. We were a \$50 million dollar business back then; today, we're a couple of billion,” said Malhotra, recounting the birth of Seth's Mumbai-listed, Hong Kong-based sourcing company PDS Limited. Together, they established Simple Approach, the group's anchor subsidiary, of which Malhotra is managing director.

Back in 2005, apparel sourcing was dominated by intermediaries like Li & Fung, a sourcing, trading and logistics company that operates between retailers and suppliers by taking orders from the former and placing them with the latter. The colossal Hong Kong-based firm, which has been trading for over a century, expanded its global business capacity through organic growth and by acquiring factories and rivals. One such acquisition was Colby Group Holdings, which Li & Fung bought for \$2.2 billion in 2000, cementing the company as the world's largest sourcing network for global retailers.

Whilst that model worked well in the early 2000s, Seth saw an opportunity to evolve away from Li & Fung's acquisition strategy. The ambitious New Delhi native recognised that sourcing industry vendors had highly talented salespeople with strong brand relationships but, as he saw it, weak financial incentives to grow the business.

“What [Pallak Seth and his father, PDS chairman and Pearl Global founder, Deepak Kumar Seth] made me think about, was: ‘you don't have any equity, you're simply an employee like everybody else’,” said Malhotra, referring to the pitch made to him on the day Seth lured him from his then employer into their partnership.

Having skin in the game

Malhotra had met Seth at a conference a year earlier when he was head of sales at SKD Pacific Ltd, a manufacturer, supplier and exporter of apparel goods whose customers included Primark.

“I had built a business within a business; I'd done really well ... My relationship with [my then employer] was strong, but he had three sons. Even if he had said to me, ‘I'll give you 5 percent [equity]’ I would have stayed; it would have meant that he felt I was important. But he never offered me that [even] when I resigned,” said Malhotra, noting that the company “doesn't exist” anymore.

By offering employees of rival sourcing companies, suppliers or brands the opportunity to become better-compensated entrepreneurs, PDS has grown to become a multinational publicly listed company with hundreds of fashion brands relying on its services, including the design, sourcing, manufacturing and distribution of goods. Subsidiaries of the group work with vendors who supply for the likes of Zara, Levi's, Gap, Target, M&S, Ralph Lauren and PVH, the owner of Calvin Klein and Tommy Hilfiger.

Today, the group oversees production of one million pieces of clothing per day, according to Seth, from over 600 vendors in more than 10 countries including China, Cambodia, Pakistan and Turkey, in addition to the group's owned, inhouse factories in Sri Lanka and Bangladesh.

"PDS is a holding company, essentially, driven by around 50 entrepreneurs with their own [subsidiary business] and P&L to manage, and their own customer relationships," explained Seth, who serves as executive vice chairman.



Garment workers at PDS's owned Norlanka Manufacturing Limited factory in Sri Lanka. (Courtesy)

The entrepreneurs each part-own the subsidiary business with a minority equity stake typically ranging from 10-25 percent. Despite the equity split with the parent company, Malhotra asserts that "each business is independent within PDS – we [the entrepreneurs] are the decision-makers."

“As long as we’re meeting our budgets and financial [targets], nobody gets involved [and] we run [the businesses] as if we own them 100%. That’s a big advantage and it’s why nobody wants to leave,” Malhotra asserts.

Seth revealed in a Harvard Business Study in 2020 that 80 percent of the subsidiary businesses had been successful, with the other 20 percent (15 companies) closing down after 2 to 3 years. The losses were absorbed by the parent company.

The company’s multiple subsidiaries had caused some difficulties and duplication, but Seth says he strengthened the platform as a unified yet decentralised business in 2017. The “beauty” of the current platform, he adds, is that it ensures rigorous on-boarding of vendors (textile and garment factories) through unified standards, auditing, ESG compliance and stringent financial management and reporting.

“If you look at the difference between us and Li & Fung they have gone out and acquired companies which has actually been their downfall, because they’ve given an earn-out to the presidents and, once they leave, the [retailer] relationship leaves, and that’s why those companies decline,” claims Malhotra.

Digital-first disruptors

Unsurprisingly, Li & Fung group CEO and executive director **Joseph Phi** characterises things differently, describing the company as having “a unified structure [with an] ‘all of Li & Fung’ approach, versus silos.” Phi says he joined the company in 2020 to steer the strategic restructure of “the world’s largest sourcing company [by volume]” across apparel, home and footwear products.

But before Phi came on board, Li & Fung did go on a \$7 billion acquisition spree between 2006 and 2012, its final acquisition year. At the time, the *South China Morning Post* reported that “anticipated synergies from its acquisitions had failed to materialise,” concluding that “Li & Fung’s own business model may be dying.” The company lost 95% of its market value in the decade to 2020 and was then delisted from the Hong Kong Stock Exchange and re-privatised.



A PDS sourcing showroom at the company's offices in Gurugram, a satellite city of Delhi, India (Courtesy)

Phi explains that while Li & Fung's 116-year history means its origins were inevitably analogue, today the business is also digital, offering "data-driven design, 3D modelling, product development, ESG consulting, sourcing, warehousing and more." The company has a vendor network spanning more than 50 countries and serves more than 250 brands and retailers including Walmart, Inditex and Primark.

The company's greatest advantages against the competition, according to Phi, include its ability to offer stand-alone services, such as logistics, as well as the ability to shift production orders between vendors immediately when supply chain disruptions occur such as the shipping delays caused by the Red Sea crisis.

Phi also highlights the company's "home court advantage" in China — the world's largest apparel exporter and manufacturing nexus — where it has a front row seat to the newest and most competitive business models, like those of Temu and Shein. "Using generative-AI [for product design] has enabled us to grow [the business] despite the challenges in the global economy," Phi maintains.

Experts suggest that Li & Fung and PDS have more in common than meets the eye. “I think [they] are quite similar in terms of what they do [but] Li & Fung has been out-marketed by PDS,” says WhichPLM Consulting founder Mark Harrop, a futurist who advises global brands, retailers and other firms, including Li & Fung, on future technologies in fashion.

Harrop says that Li & Fung “has [digital solutions] like their competitors [including TAL Apparel, MAS Holdings and PDS but] they’re just not [shouting about it] like some of the others are.” In contrast, “PDS has come out fighting [with its] ‘digital-first’ approach.”

Moin Golam, an ex-Li & Fung employee, is one of PDS’s more recent converts, having jumped ship in 2020. Today he is executive director of the group’s recently established subsidiary PDS Fashions USA, based in Dhaka, Bangladesh.

“I was responsible for a P&L at Li & Fung but in PDS you are the one running the show,” explains Golam, who took a minority equity stake in the venture he set up at the group.

Golam concedes he was initially reluctant to leave the sourcing giant. “I was [at Li & Fung] for almost 11 years and [progressed] from merchandising to regional head. I had been in a comfort zone [with] a handsome salary and other benefits [so] when I was approached by a head-hunter to join PDS, I wasn’t compelled in the beginning. I refused three times [before] agreeing to [even speak with PDS founder Seth]”.

Ultimately, Golam says, it was the incentivisation and autonomy elements of Seth’s vision that persuaded him to accept the accompanying risks. “Before I was part of a ship, but now I am the captain of a smaller ship. If you do a great job [at PDS], you see the benefit; if you don’t, you feel the worst [of it].”

Now that he is at PDS, Golam serves clients like Kohl’s, Target and athletic brand Mission, working with eight vendors including Bangladesh-based Standard Group and Eco Apparels who produce garments for major US and European fashion retailers and brands.

“Our aim is to make sourcing simple,” said Golam, adding that his quality assurance manager visits factory vendors five days per week in a sign of the firm’s dedication to brands and retailers and a key part of its value proposition.

But PDS is not alone in disrupting long-time incumbents like Li & Fung.

The innovation race

BlueKaktus, another India-based competitor, is a SaaS sourcing platform for vendors, brands and retailers spanning the entire supply chain. Founded in 2000 by New Delhi native Gunish Jain, a computer engineering graduate with 18 years’ experience running his family’s garment factory, the platform optimises efficiency at every step in the supply chain, he says. Brand clients include Jockey and Amazon, with 7000 vendor clients in 30 countries.

The platform ‘plugs into’ brand and retailer product life cycle management (PLM) software via APIs, enabling them to view factory production capacity and make fast, efficient purchase order placements with near real-time tracking of order progress — a level of visibility not typically available in other platforms.

“We have reduced production lead-times to as short as four weeks, compared to the typical 13 weeks,” says Jain, who also serves as BlueKaktus’ chief executive, about the service which allows brands “to place smaller orders closer to market to better manage inventory.”

BlueKaktus’ innovations have certainly helped it to become more agile, but it is arguably PDS that is more daring when it comes to investment strategies. Not only does it operate full-service sourcing through entrepreneur-led subsidiaries, but it also invests in new technologies through its investment arm, PDS Ventures, founded in 2018.



An aerial view of PDS's Bangladesh-based manufacturing facility GoodEarth Apparels Limited. (PDS)

“We co-invest [with brands] and our collaborative approach is a differentiating factor for us,” says Ankur Agarwal, head of investments at PDS Ventures. PDS’s expertise and significant volume of business with leading brands means it is well positioned to evaluate the solutions those brands need in the rapidly changing consumer, regulatory and sustainability landscape, he adds.

The venture's investments include the regenerative cotton tech platform Materra, alongside other seed-round investors H&M and Bestseller. PDS Ventures also invested in Unspun, the creators of the 'zero waste' 3D weaving technology Vera, who also count Decathlon as an investor.

Besides strategic investments PDS has also begun acquiring ailing and high growth-potential brands through subsidiary companies, including **The Brand Group** (co-founded by Malhotra and fellow entrepreneur Damian Hopkins). The Brand Group bought a majority stake in London-based luxury brand Roksanda in 2023, with the namesake founder retaining a minority stake.

Next, PDS founder Pallak Seth has his sights on expansion through new verticals in Central America for nearshoring to the US market. But wherever he travels, Seth is always on the lookout for would-be entrepreneurs with signs of being ambitious and bold enough to take a leap outside of the predictability and security of the old guard of the sourcing world.

“[There are almost] no hard assets at PDS,” Seth explains. “The assets are the people and relationships.”