14 August 2024

The Secretary
Corporate Relationship Dept.
The Bombay Stock Exchange
1st Floor, New Trading Ring
Rotunda Building
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

The Secretary
National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex
Mumbai – 400 051

Dear Sir,

Sub: Audio Recording and Transcript of Investor call

We herewith enclosed the transcript of investors call for the financial results for the quarter ending 30 June 2024.

Audio recording of the investor call is available in the following link:

https://youtu.be/xwlUTmugxEc

This is for your information and records.

Thanking you,

Yours truly,
For Page Industries Limited

MURUGESH C
Digitally signed by MURUGESH C
Date: 2024.08.14 17:35:42 +05'30'

Murugesh C
Company Secretary

Encl: as above

Page Industries Limited
Q1 FY25 Earnings Conference Call
August 08, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 Earnings Conference Call of Page Industries Limited by Valorem Advisors.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Mr. Sonpal.

Anuj Sonpal: Thank you. Good afternoon everyone, and a very warm welcome to you all. My name is Anuj Sonpal from the Investor Relations team. On behalf of the company, I would like to thank you all for participating in the Company's Earnings Conference Call for the 1st Quarter of Financial Year 2025.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us Mr. V. S. Ganesh – Managing Director; Mr. Deepanjan – Chief Financial Officer; and Mr. Karthik Yathindra – Senior Vice President and Chief Marketing Officer.

Without any further delay, I request Mr. V. S. Ganesh to start with his opening remarks. Thank you and over to you sir.

V. S. Ganesh: Thank you, Anuj and good afternoon ladies and gentlemen. Welcome to the earnings call for the 1st Quarter of FY25.

As Anuj updated you today, I am joined by Mr. Deepanjan – our Chief Financial Officer; and Mr. Karthik – our President and Chief of Sales & Marketing.

Before we discuss the specific numbers, let me briefly touch upon the performance in Q1:

The operating environment in Q1 remains stable and largely consistent with the preceding quarters. We are yet to witness significant improvement in consumption, though there are early signs of positive indicators. An uptick in rural consumption is engaging and is expected to provide an impetus to overall consumption in coming quarters. Our unwavering focus on sustainable sales practices and enhancing inventory health has contributed to revenue growth and maintaining operating margins. We continue to invest in digital transformation and consumer engagement through marketing initiatives and in leveraging technology. These focus pursuits resulted in a PAT growth of 4.3% while revenue growth was 3.9% in Q1.

In line with our objectives, we also continue to invest in enhancing consumer reach and experience. Also, in diversifying and enriching our product offerings. Focus on operational excellence and digital transformation. The control over expenses has ensured strong operating margins without touching product prices. Additionally, we expanded our distribution network in line with our long-term objectives. As of the end of June, we have a network of over 104,696 MBOs, 1395 exclusive brand stores, and 1137 LFS outlets. We are strategically directing our attention towards metros and Tier-2 and Tier-3 cities. The e-commerce channel had a growth of 32% in Q1, reflecting evolving consumer purchasing preferences and the commitment to cloistering our online presence.

Our strategic focus encompasses multiple trends, and this includes intensifying general trade distribution, expanding large format stores and exclusive brand stores, growing the D2C business, improving the customer experience, strengthening the product portfolio, strong partner and consumer engagement, and brand building measures to ensure good brand recall and ensuring a robust supply chain. Your unwavering support and trust in Page Industries is very encouraging, and we eagerly anticipate the opportunity to address any questions you may have and provide further insights into our performance during this call. So, Deepanjan will now take you through the specifics of the quarter, followed by addressing any queries that you may have.

Thank you so much, and thanks once again for joining the call today.

Deepanjan B: Thank you, V.S.G. Good afternoon everyone, and welcome again to today's earnings call. I hope you are all keeping well, and I am pleased to share the Results of Q1 of FY25.

So, to take you through the highlights of key Financial Highlights in Q1, we recorded sales volumes of 57.4 million pieces, a growth of 2.6% year-on-year. Revenue in quarter one was Rs.12,775 million, which was a growth of 3.9% year-on-year. EBITDA for the period was Rs.2433 million, which was a growth of 2% over the last quarter. EBITDA margin was 19% with stable raw material costs. Margins have remained healthy, though there was marketing spends for the cricketing season in the Q1. PAT in Q1 was Rs.1652 million, which was a growth of 4.3% Y-o-Y. Inventory days was 72 as against 93 days in end of FY24. Focus on healthier inventory in the distribution network has resulted in maintaining optimum inventory levels. Working capital days was 73 days, and it was in line with PAT in the end of FY24. We continue to remain debt free.

To summarize:

Our financial performance with robust operational parameters, we are well positioned to benefit from the resumption of demand. We remain focused on expansion in multiple channels, digitization and leveraging technology to deliver value to all our stakeholders. We can now discuss any queries that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Sir it is heartening to see your comment on early signs of demand revival. Wanted to just check, are you more optimistic on calling a recovery now versus where we were in end of the fourth quarter?

Management: Avi thanks for that question. Yes, more optimistic because of two things. One is we are seeing better footfalls and revival in demand and all the hard work we did in the last one year, and I am sure it will pay dividends as we move forward, with the actions we took to improve the inventory health at the distribution, making sure the launch of a new products is seeing the light of the day, bringing in more hygiene and discipline across the value chain. The marketing efforts we have taken all this is definitely going to help us. So, that gives us a lot of courage and confidence.

Avi Mehta: So, how do you expect the year to pan out, again second half mid-teens or how do you see that would be useful to understand, thatchanges?

Management: Early days Avi, because whatever we are seeing is something we have to see how long it will last because it has been pretty volatile in the past. So, it is definitely a wait and watch for us. And I hope with the festive season coming up, it should be buoyant and we hope to see a good second half of the year. That is the hope which we have.

Avi Mehta: Got it sir, fairly clear. Just on the, second bit was on the, just understanding the industry dynamics, how is the dealer inventory in the athleisure space now, where does it stand versus normalized levels. And also, if you could update us on the discounting pressures, how are they in the industry?

Management: Avi, I feel Karthik will be able to throw more light on that. Karthik, if you want to take that?

Karthik Yathindra: Yes, please. Avi, thanks for the question. From the time we have started auto replenishment as a process for primary billing to our distributors, our inventory levels have now come down by about little over six days at an overall level. Of course, it's a lot more pronounced for the athleisure, more than 10 days of inventory has been reduced at the distributor level. And as far as discounting is concerned, it's a lot more under control as an industry right now, because I would imagine that players who do indulge in discounting have actually not seen much of a throughput during those periods of discounting. In the early times of last year, the first two quarters, there was rampant discounting in the industry. However, that has come down substantially in the second half of last year, we have not seen major discounting from players in quarter one either.

Avi Mehta: Perfect. Sorry, just a clarification you said more than 10 days reduction in athleisure, is it now lower than normalized levels, I didn't kind of understand that point sorry.

Karthik Yathindra: No, what I mentioned Mr. Mehta, was that from the time we started auto replenishment system to where we are today, we have more than 10 days of inventory that has come down at the distributor point, I see a couple of quarters more before we can be at an optimum level where secondaries and primaries could be at tandem.

Avi Mehta: Got it. I just have one question, if I may, just on, how is the input cost environment and whether there is any need for price hikes, that's all from my side.

Management: So, the input cost has been largely stable, in fact the cotton prices are quite stable on the lower side, so we don't see any input cost, especially in the fabric and yarn creating a pressure that can lead us to any price increase. So, current financial year, as of now, there is every reason to believe that there will be no price increase in the current financial year.

Moderator: Thank you very much. The next question is from the line of Amar Kalkundrikar from Nippon India Mutual Fund. Please go ahead.

Amar Kalkundrikar: Can you speak a little bit about secondary demand trends, that's one and number two, did I hear Karthik right that it would take a couple of quarters for secondary and primary sales trends to sort of come in tandem?

Management: Hi Amar, thanks for the question. In quarter one, we have seen secondary and tertiary numbers to be ahead of primary. That's a reflection of the inventory holding in the value chain. So, we have seen better secondaries and primaries when compared to what we have reported as primary. And, I repeat myself if the demand continues the way it is, if quarter one is any reflection of what we expect in the future, then it will take us another couple of quarters before secondary and tertiary are in tandem

Moderator: Thank you very much. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Sir, I want to better understand your comment around green shoots and demand, so typically, Q2 and Q3 volumes have historically remained in-line with what we have delivered in Q1. Is it that this time around, we may see some growth in the coming quarters versus Q1 is this a right reading of your comment?

Management: Mr. Bansal, its early days, but we are optimistic, and as we move forward things should look better, so we are all gearing up towards that.

Devanshu Bansal: Got it. Mr. Ganesh, just a small follow up here, so as the current demand environment is there, so would in that light would that be a fair assumption, obviously we don't know how coming months will behave, but based on whatever we have been through this quarter so far, based on that, will that be a right assumption?

V. S. Ganesh: You are right.

Devanshu Bansal: Got it sir, thank you so much. Karthik, last time around, you mentioned that channel inventory was closer to 20 million pieces, just if you could sort of suggest the number at Q1 end how is that as of now?

Karthik Yathindra: There's not been much of a decrease from an absolute point of view, however Q1 typically is a high contributing quarter for us. From that standpoint, the number of days of inventory has come down, whereas the absolute inventory holding will remain more or less similar to what I had mentioned earlier, Mr. Bansal.

Devanshu Bansal: Got it. Last question from my end, realization has improved 1% almost in this quarter, and this is despite we not taking any sort of price hike. Is this due to better revenue mix with athleisure women growing faster than men, is this a right assumption?

Management: We have seen both. It is a function of category mix, and also within categories, we have seen the premium ranges perform better than the mid premium ranges.

Moderator: Thank you very much. The next question is from the line of Kirti G Dalvi from Enam AMC. Please go ahead.

Kirti G Dalvi: Just couple of questions, coming back on the same secondary or tertiary demand, if you want to hazard a guess against our 3% growth in our sales number volume wise, how much would be the growth you see in secondary or tertiary demand?

Management: Kirti, without mentioning the absolute numbers, let me just mention that secondary and tertiary demand has been ahead of primary. So, we have seen better numbers at point of sale when compared to what we have realized in primary probably because of the inventory holding that we have in our channel.

Kirti G Dalvi: Okay. Second question pertaining to margins front, as gross margins have been grown on Y-o-Y basis and OPM got impacted because as you mentioned we spent on the marketing and do we see this trend continuing especially on the promotion and the marketing side?

Management: So, typically on the marketing side, we spend around 4% to 5% of our net revenue, and that's what will continue. So, that's on an annual basis, in a quarterly level there can be some variation, but overall, for the year, it will get 4% to 5% levels. And the overall operating margin at EBITDA level, we have done around 19% current quarter, it should be largely there, within the 18% to 21% even at the annual level.

Kirti G Dalvi: Okay. And on a capacity utilization and the expansion part, if you could throw some light, that would be my last question.

Management: So, currently, our planned capacity is around 200 million pieces, and our current expansion plan with increase in efficiency, we do not have immediate plans of any additional manufacturing facility. While the Orissa plant is nearing completion, and we should be getting into initial production days in the last quarter of this year.

Kirti G Dalvi: Okay. So, in terms of the absolute value wise, there won't be any backward integration related CAPEX plan?

Management: Not this year.

Moderator: Thank you very much. The next question is from the line of Sameer Gupta from India infoline. Please go ahead.

Sameer Gupta: Firstly, some bookkeeping questions, growth in the EBO channel this quarter, is it materially higher than the reported number and just to add to that, regarding the channel. And the LFS channel if I look at, there has been a sharp reduction over the quarters in the past few quarters, in terms of our reach, used to be around 3000 stores, and today it's around 1300, or something, 1100 or something. So, just wanted to understand this aspect in a little more detail as to what is going on in this channel?

Management: Thank you, Sameer for the question. To address your first question, yes, we have seen, when compared to the average e-commerce has performed much higher, followed by the exclusive brand store, given the expansion drive that we have in that particular channel. Then followed by general trade. Coming to your second question on the large-format store, we have taken strategic calls in terms of consolidating our presence in this particular channel, and have had to exit a few key accounts where we have been present in the past. This is in line with our long-term plans of building the brand in this channel.

Sameer Gupta: And has that been a material contributor in the kind of growth or the kind of sales performance that you have reported in the last few quarters?

Management: Not necessarily, large format store as a channel is a small contribution to our overall business. The loss in sale that has been experienced because of the consolidation has not affected the overall numbers that have been reported.

Sameer Gupta: Great, sir. Secondly sir, it's been like six, seven quarters now, and we are still contingent on overall consumption coming back, there was lack of discipline in terms of other players. But what I also noticed, there is a feeling that there has been a pricing gap between Jockey and smaller brands, which has kind of widened in the last few, recent years or so, and incomes have not really kept pace with this kind of pricing and the natural upgrading which used to happen from smaller brands to Jockey that has kind of been paused. So, like is there a plan to launch a flanker brand at a lower price at some point if this kind of performance continues, or is that not possible some thoughts on that?

Management: So, a couple of things. Firstly, in the last couple of years, if at all, from what we study of competition and who we consider our target audience, the available brand and Jockey, the gap is only reduced because Jockey has stuck to its prices for the last 24 months. The last price increase that was initiated by the brand was back in July 22 and we are exactly about two years since we have touched our prices. And the way we have mapped it against players who address the same target audience, the gap is in fact come down. As far as the second question is concerned, there is no plan for the launch of a sub brand at least. But of course, if there is an opportunity for us to hit value price points with our products without compromising on quality or consumer experience that is something we strive to do. With some level of input cost reductions that have been favorable to the brand there have been a few products strategically launched over the last four to five months, especially in the athleisure category, which are at very tight price points, addressing the value seeking consumer.

Sameer Gupta: And this would be under Jockey brand only?

Management: That's correct. It is under Jockey.

Sameer Gupta: Is there a restriction on launching any sub, any other brand apart from Jockey, just trying to understand that part also?

Management: Strategically, we don't see a need for us to launch a sub brand within Jockey. And again, we would not be entering a brand that directly competes with Jockey even if it is a separate brand.

Moderator: Thank you very much. The next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

Sheela Rathi: Thank you for giving this idea that there are green shoots emerging, secondary and tertiary doing better than primary, premium doing better. So, just wanted to understand, if there are any specific markets where we are seeing these green shoots emerging. Is it the metro cities or the smaller towns, so if you could give more details around that, that will be very helpful.

Karthik Yathindra: Thank you Sheela for the question. We are definitely seeing better growth rates in smaller town when compared to metros, and this is in fact inversely proportional to the size of the town. So, tier three and tier four towns are seeing better growth rates when compared to metros, tier ones and Tier-2s. That's what we witnessed in quarter one. But otherwise, in terms of geography, we don't see a big difference between how the different geographies are performing between North, South, East and West.

Sheela Rathi: Understood. So, Karthik just a follow up here, is there a change versus what we have been observing for the last four to six quarters?

Karthik Yathindra: Yes, it has been consistent in the sense, not significantly higher, but definitely higher than metros and tier ones and Tier-2, tier threes and tier four have been consistently doing better over the last two to three quarters at least.

Sheela Rathi: Okay. So, it's a trend which is continuing from Tier-2, tier three markets where we are doing better and the metro cities are relatively doing weaker versus the past. Is that a fair assessment?

Karthik Yathindra: No, I am not saying they are doing weaker when compared to the past. I am saying in relation to tier three and tier four, the growth rates are lower in metros. The base of the business is still much higher in metros and tier ones, as you would imagine. But the growth rates, because these markets are nascent, are much higher in tier three and tier four.

Sheela Rathi: Okay. The second question, because e-commerce channel is doing well for us, just wanted to understand, is there any margin gap, which we observe here, versus the offline channel, are the margins comparable or there is some, are the margins slightly on the lower side?

Management: E-commerce as a whole, we have got three verticals in e-commerce B2B as well as D2C. So, there are three verticals, so e-commerce as a whole, the margins are more or less comparable with the offline business, whereas within the e-commerce, D2C have slightly lesser margins because the spends in marketing, even the delivery cost are slightly higher, but largely they are comparable.

Sheela Rathi: Okay. So, D2C will be lower than the B2B, is that right?

Management: Yes.

Sheela Rathi: Okay. One final question, in terms of international opportunities, are we seeing any, are there any thoughts around increasing our exports in the coming years, and what are the early thoughts?

Management: We are looking to consolidate our international presence. There are a few markets which lend itself to the products that we make here for India and become a natural extension in terms of placing us there. There is specific focus towards those geographies, I believe in the coming years we should see some level of focused approach towards our international business.

Sheela Rathi: So, most of the plans will be more from a medium-term perspective, is that fair or we could see this in the coming quarters or something?

Management: It would be from a medium term because entry into any market and to have a meaningful presence and do business there takes time. We are looking to make sure there is sufficient market and consumer understanding before we go and have a meaningful play there.

Moderator: Thank you very much. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Couple of questions, starting with on slide #4 you have mentioned the green shoot. So, let me hap on a little better to understand. And just relating to what Karthik just mentioned that tier three, tier four markets are doing better. So, if you can help me to understand what are the top 20 markets contribution, and I would assume that that will contain the metros, and then equally what is the tier three, tier four contribution or how it has moved over one year?

Management: Karthik do you have the breakup for that?

Karthik Yathindra: Yes, just give me a moment. So, metros and tier one, the way we classify it, contribute to little over a 50% of our business and Tier-2 downwards are in the late 40s in terms of.

Shirish Pardeshi: And the balance is tier three, tier four what you are saying?

Management: That's correct.

Shirish Pardeshi: Okay. So, why I was more interested, if you can give me some regional variation, because what I understand, and our market visit says that there is not that big problem in South but it's more on the Northern side. So, is that observation correct or maybe if you can help us, what is actually happening on the ground?

Karthik Yathindra: No sir, if we don't see a differential performance from a growth rate point of view across that's what I clarified earlier, across regions between North, South and East, West. Contributions vary that's a function of our presence. But in terms of growth performance, we don't see a stark difference in how one region is performing compared to the rest.

Shirish Pardeshi: So, this is common in relation to your Tier-2, tier three commentary?

Karthik Yathindra: No, Tier-2, three, four across the country, like I mentioned is growing better than metros and tier one, but if I have to split it geographically between North, South, East and West our performance has been consistent, more or less.

Shirish Pardeshi: Okay. My second question is that recently, the FMCG trend which is looking at the rural is growing much faster, while there will be some issues in the urban regarding the income generation activities which are a little lower. So, do you anticipate this kind of issues will come up in future, and then we will be forced to drop the prices further, or it's too early to take a call at this time?

Karthik Yathindra: We don't anticipate such adverse reactions to the product at the current pricing, at least in the foreseeable future, we don't see a need for us to drop the price.

Shirish Pardeshi: Okay. My last question, as the revenue growth was about 3.9% while our other expenses have grown much higher and sharper. So, if you can tell me if there is one off, you did explain there is a ad spend which is sitting but is there any material change which you can see?

Management: No, not exactly. So, when you say other expenses, it does include marketing. It also includes IT expenses. So, marketing is what we have seen a bit of a higher spends in the current quarter, though we remain within the 4% to 5% annually, and in IT expenses, we have gone into major digital transformation initiatives. So, we do see slightly higher digital spends towards IT in this quarter as well as it will escalate a bit more in the coming quarters. But yes, factoring all those things as still our operating margins we are quite confident that it should be maintained within the 18% to 21%.

Moderator: Thank you very much. Next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Sir, my first question is with regards to a comment in the annual report, you have mentioned that you target to be a 1 billion USD revenue company by FY26. Now going by the current trends, do you still think that target is achievable, or there is some postponement to that particular target?

Management: Gaurav, you are right it may be tough to achieve the target at that speed, because this was, we projected this number way back then we had the volatility during the pandemic, and then we had the last year a challenging year for retail across brands. So, we have to consider all this, and then we need to recast the numbers and look at a more realistic trajectory for us. And we are actually working on that. So, we are revisiting a three year and five-year plan.

Gaurav Jogani: So, any sense that you can give well, as per your internal targets, when do you think you can achieve this mark, or at least the best possibility by which this mark can be achieved?

Management: It is still a work in progress. For us, we are revisiting the pay book for the three year and five year, so maybe we would be able to give more clarity in the next meeting when we meet up next time, because it's still work in progress.

Gaurav Jogani: Sure. So, my next question is with regards to the Bangladesh disruption, I remember earlier there was some supply chain or some sourcing that you used to do from Bangladesh. So, any impact on your sourcing because of this near-term disruption that you see there?

Management: No, because we import very small quantity few 1000 pieces per month from Bangladesh. And those SKUs are actually having very healthy inventory in our warehouses. And today, I got an update that factory which is actually supplying for this is back in operation, so we don't foresee any risk at all. And secondly, when it comes to supply chain, we have made sure no category or no product, critical product is with one vendor. It is always having multiple vendor source, both geographically also. So, we always have that risk mitigation plan and for major style, we also share the production between in-house and outsourcing, so that we can manage all these volatilities.

Gaurav Jogani: Sir my last question is, with regards to again the industry inventory that you could see earlier, that used to be quite high. Now, given the fact that the discounting has come down meaningfully in the last six months, and even in this quarter, do you think the channel inventory overall for the industry is at a healthy level, which eventually could help you to grow during the second half without any increasing competitive activities?

Management: Yes, see as Karthik updated some time back, the distributor inventory level has become more and more healthy over time, with the discipline with which we have driven the ARS and of course, the number varies category to category it is in the team as far as inventory date reduction are concerned for the athleisure product and some of the other categories we embarked on this journey later for example, the last category we touched up on ARS, which is still work in progress is juniors which has comparatively lesser inventory day reduction. So, as the inventory health improves, it will definitely help our numbers and as Karthik said, while it will show good health improvement and therefore good sales in the coming days, the primaries will be in line with secondaries once we give a quarter or two more of the inventory to come to optimal levels.

Moderator: Thank you very much. Next question is from the line of Nihal Mahesh Jham from Ambit. Please go ahead.

Nihal Mahesh Jham: Sir, I was just clarifying on the manufacturing capacity.

Moderator: The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.

Ankit Kedia: Sir my first question is, regarding the consumer movement from economy to your products, previously the Lux,Rupa, Dollar consumers used to migrate to, Jockey at least Modern Classic. Do you think now, with Zudio coming in and having a good inventory of men's and women's wear, our customers have got more choice now. And instead of moving towards Jockey or Modern Classic of Jockey, at least a young audience is first trying Zudio and then seeing the movement there, because they also have now 550, 600 stores today.

Management: So, if you look at it at inner wear as a category that's more relevant when you take that company and compare ours. I don't see when you talk about Zudio and other companies, because for them, they have multiple products. They are not an inner wear brand per se. And if you look at the market share, then the penetration which we at 17%, 18% and dominating the market, you can understand how fragmented it is, and there is enough head room for all of us to grow, and we have tremendous opportunity.

Ankit Kedia: Sure. Sir my second question is regarding the accessories portfolio, our check suggests that you have really invested a lot of the sales force in the accessories part of the business. Can you just throw, help us understand over the next two years which all category extensions are you doing in accessories and what could be the revenue contribution coming in from the accessories portfolio now?

Karthik Yathindra: Thank you, Ankit. Even the current portfolio of accessories that we hold is quite substantial, and hence we move to have an independent sales vertical addressing only this vertical. Within accessories today, we include our categories like socks, towels, caps, handkerchiefs and face masks which has little relevance today, but forms a part of our portfolio. So, we have a good enough width in terms of set of products to put out in the market. They have a lot to achieve within what we have as a product portfolio from a revenue standpoint. Obviously, we will still be in the lookout for relevant categories from a product development point of view, where we see an opportunity for the brand to associate with sales and capitalize on market opportunity. But for now, at least this financial year, the move to have an independent sales team is to essentially address the portfolio that is already in hand.

Ankit Kedia: Is it fair that the number would be high single digit contribution for this vertical?

Karthik Yathindra: Yes, it is thereabouts..

Moderator: Thank you very much. The next question is from the line of Tejas Shah from Avendus Spark Institutional Equities. Please go ahead.

Tejas Shah: Sir, my first question pertains to distribution, I believe in your opening remarks somewhere answering the question, you said that we have consolidated our presence in modern trade. So, could you share the insights behind this decision and additionally, how should we think about distribution expansion at consolidated basis for this fiscal and the next?

Management: So, expansion is something that we are committed to, but meaningful expansion where we believe the brand would be placed and done justice to with all the brand principles and business principles with which we have grown the brand thus far. So, as long as these are in place, and we believe the channel provides an opportunity for us to grow, expansion will be the way forward. We have however like I said, taken calls on specific accounts where we believe it's not favorable for the brand to be present in the way we want to be present from a strategic standpoint, which is where we have consolidated. But otherwise, across modern retail as well as general trade, we would be looking at expansion in a meaningful manner.

Tejas Shah: Sure. And any number you can actually give to this meaningful number?

Management: Number for?

Tejas Shah: In the sense ballpark, how much we target usually expansion, distribution, expansion looking at demand scenario and our own challenges on inventory today?

Management: So, especially in modern retail expansion is not under our control. It's got to do with how the accounts that are there and what expansion plans they have. As far as a brand that operates in that channel we just want to pick and choose who we want to work with and make ourselves available there. We have no influence on driving expansion as far as being modern retail channel is concerned, the large format store. We also categorize our exclusive brand stores under modern retail, there it’s a stated strategy that we look to expand anywhere between 150 to 180 stores every year. That's the plan we have for this year as well.

Tejas Shah: Got. And last for almost two years in some way or another we are trying to figure out if our value proposition to customers has changed after COVID and we seem to be very confident that it has not. So, what tools or benchmarks do we use to measure our products, competitiveness or value proposition compared to our peers products?

Management: So, we do a like-to-like comparison of the product and the price point over a period of time. So, we have a clearly defined target audience, we have a clearly defined set of competitors who we believe address the same target audience. We benchmark ourselves against these competitors in terms of their product offering and price points. That's the confidence we have, having done this consistently and it's not a new exercise or activity we are doing this we have been doing since a very, very long time, in terms of ensuring that we are relevant in the market, both in terms of product offering as well as price points.

Tejas Shah: And have we added Zudio or Decathlon products in this PSA till last two, three years for comparison?

Management: Not for inner wear as a category, but in relevant areas in athleisure, they do feature.

Moderator: Thank you very much. Next question is from the line of Garima Mishra from Kotak. Please go ahead.

Garima Mishra: My question is more on the various categories you have and the green shoots and demands that you mentioned, should we construe that you are seeing very similar trends across the three categories, men's inner wear, women's inner wear and athleisure?

Management: Thank you, Garima. From a secondary and tertiary point of view, yes we are seeing a similar uptick across the categories we present in. However, how it translates into primary, like I mentioned earlier it's the function of the inventory that we are holding, that's where we are seeing the difference. The inventory holding at the channel level is today higher for outerwear when compared to inner wear, and hence that affects our primary reported numbers.

Garima Mishra: Got it. But what you are trying to say here is that, at least if we exclude this inventory bit, you are seeing very similar demand trends across the three categories right?

Management: That's correct, at a tertiary and secondary level it's consistent.

Garima Mishra: Got it understood. Second question is, see women's wear you highlighted is a very large under penetrated category largely informal today, are there any steps you are taking in terms of your own capabilities, design, distribution, et cetera to better tap into this category?

Management: Yes, definitely. Women's inner wear is one market which is obviously much larger than the men's inner wear market. It is also a market that is in relation to men, the level of organization of the market is much lower. It's largely unorganized. And even within the organized sector, within branded play, the number of credible players is much higher in the women's inner wear space when compared to men's inner wear and hence makes that market that much more competitive. In order to address that opportunity. It's only recently that we have had in the last three years have dedicated sales vertical addressing this category separately, the way we approach this business internally in terms of org structure is, there is an independent team right from product design, marketing, product management, as well as sales, addressing only the women's inner wear market. So, this is to ensure that we give it the requisite focus so that we can capitalize on the market. Even from a marketing standpoint, our investments are skewed disproportionately towards the woman consumer to make sure we are able to build that connect with that consumer at an emotional level. So, these are some of the steps we have taken as an organization, and we are in a way committed to these steps to continue persisting in trying to gain share from the existing organized market and also grow the entire pie of organized by converting consumers from the unorganized market towards the organized market in the….

Moderator: Thank you very much. The next question is from the line of Sabyasachi Mukherjee from Bajaj Finserv Asset Management Company. Please go ahead.

Sabyasachi Mukherjee: Just trying to understand your comment on secondary and tertiary sales growth being better than primary growth of 2.6% volume growth for this quarter. How does it, the channel inventory is kind of stagnant at 20 million pieces which was there in last quarter as well. Is it because of the different bases that we are talking about here?

Management: It's also because the way we, in terms of number of days the difference we look at is mainly because of, see in quarter one we tend to fill in a lot more inventory than the rest of the quarters, because historically it's been a large quarter for us, quarter one as well as quarter three. So, there is some level of input that goes in as far as quarter one is concerned, in primary. That is the reason you see that the overall base inventory remains more or less the same. There is a reduction not enough to speak about.

Sabyasachi Mukherjee: Okay. So, basically it means that while the percentage growth might be higher in secondary and tertiary, because the base was lower in terms of absolute pieces we are not seeing a meaningful reduction in the absolute inventory. That's correct understanding?

Management: That's correct in the primary front here.

Sabyasachi Mukherjee: Got it. And you mentioned that probably this will take another couple of quarters, unless we see a good uptick in the demand environment.

Management: It goes either ways, it depends on how the secondary and tertiary demand continues. If you see a good uptick, this could be sooner as well.

Sabyasachi Mukherjee: Got it. On the e-com channel, I believe it is about 7%, 8% of our total sales. How much would be quick commerce out of it?

Management: Quick commerce is a new venture for us. We have been operating with one of the players for about a year now, but majority of the time and today, we operate with about four players, and soon to start with two more, but majority of this initiation has happened in the last two to three months. So, at this point in time, quick commerce contribution is low, but I am sure by the end of this year it should be decent.

Sabyasachi Mukherjee: And when we mentioned that there are three verticals when it comes to e-commerce, so B2B, B2C, so B2B again, would be some of these aggregators platforms online platforms, and there will be e-commerce as well?

Management: No, not exactly.

Management: What Deepanjan meant was, we have a B2B where we do outright business with some of the large players. And then we have Page Industries listed as a seller in these marketplaces. That is the second route, and third route is Jockey.in, the mono-brand website.

Sabyasachi Mukherjee: Okay. And quick commerce would be that outright, under the outright sale category?

Management: So, it varies Sabya, It depends on the mode in majority players we operate as a seller on the marketplace as well as do an outright. Quick commerce also, it's not one formula for all the players it depends on the agreement that we enter into with individual players. It could be outright it could also be via marketplace.

Sabyasachi Mukherjee: And margins and working capital for all these three mode of operations in e-com would be similar or any difference over there?

Management: We did answer that, so there will be slight differences between B2B versus the B2C verticals, so e-commerce B2B's margins are very much similar to our offline businesses, but as a B2C segments so B2C vertical is slightly lower because it does require heavy advertisements or marketing investments in terms of customer acquisitions. Also, the delivery costs tend to be a slightly higher in case of market place and Jockey.in. So, that's why the margins in two B2C segments tend to be slightly lower than the B2B segment.

Moderator: Thank you very much. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: VS Ganesh, MD sir you are managing company well, and you declare Rs.300 interim dividend, which is fabulous one. It shows how our stocks and debtors are under control. Sir, you had given a target to reach $1 billion US by 2026 in your annual report. So, what preparation in our mind and have you sufficient capacity to achieve this. So, how you grow 35% CAGR in the next two years. This is my question.

Management: Thank you. As we updated previously, that may be a tough ask. This was a guidance or a target we set for ourselves few years back and now we need to recast the numbers and be more realistic about it, because we had lot of turbulence in the business in the recent past, and we also had a very challenging last year, and we need to appreciate all those and re-look at our strategies and plan for the future. So, we in the process of recasting the three year and five-year plan, and then we will be able to kind of understand how quickly we can reach the 8000 crore mark.

Ravi Naredi: Okay. So, now by 2026 we still have a plan to reach $1 billion US target?

Management: No, that's what I said. That may be tough, to grow at that rate and that's where we need to be realistic. There are two reasons, one is it is tough and second is we need to make sure whatever growth we achieve is hygienic and sustainable, we should not be looking at short term sprints. We should be prepared to run the marathon. So, that has been our philosophy, which has helped the band over time, and we would be navigating through that strategy and for which we are now recasting a three year and five-year plan.

Ravi Naredi: Well, so we have sufficient capacity, or we go without capacity?

Management: You mean manufacturing capacity?

Ravi Naredi: Yes.

Management: Manufacturing capacity, we currently have a capacity for around 200 million pieces, and with outsourcing we can go up to 260 and we are continuously working on expansion. So, as part of our annual plan and the three year and five-year plan, we keep looking at and we keep calibrating the expansion of the back end with new units. So, you know we are now having Odisha unit, and we are also having one more unit in the outskirts of Mysore. These two are coming up, and we will be constantly looking and planning expansions according to the market demand.

Ravi Naredi: So, 200 million our production, 260 million outside production?

Management: No, 200 million our production, and 60 million outsourced production, so giving a total capacity of 260 million.

Moderator: Thank you. The next question is from the line of Onkar Ghugare from Shree Investments. Please go ahead.

Onkar Ghugare: My question was, since you have declared Rs.300 dividends, so have you changed any dividend policy or like, what is the reason of giving this dividend, because last year?

Management: Well, our cash balance looks very healthy, and we have considered the investment requirements for the future with a very conservative plan. So, we always also look at the worst-case scenario, the likely and the best-case scenario and prepare ourselves accordingly and with a very, very conservative plan we look at the projection. We also consider the CAPEX requirements, the expansion plans and the cash reserve we have, since we have a pretty good reserve, healthy reserve we thought it is better, we have a better dividend payout and give the money to our stakeholders or shareholders, rather than holding it on behalf of them.

Onkar Ghugare: So, what I meant was, this is a one off or this is how it is going to be in the future?

Management: That depends on the top line every quarter. So, we need to wait and watch.

Management: So, as MD explained, we do assess the annual requirements and even the future requirements. And based on that, if the cash balance supports it, we can give higher dividends, but yes, every time before we declare dividends, we assess what is our future requirement.

Onkar Ghugare: Okay, because last year's full dividend was around this much. So, that's why this question arrived.

Management: Yes, business situations are different, so we are in a better position now and as MD explained, we have assessed our future requirements, or CAPEX requirements. So, currently, yes, we are in a position to give a higher dividend in this quarter.

Onkar Ghugare: But have you changed your capital allocation policy or dividend distribution policy, just wanted to know that?

Management: Our dividend distribution policy remains the same. So, we plan to pay 50% of our PAT as a policy.

Onkar Ghugare: Okay. So, depending on the situation, you will be looking how much to pay every quarter?

Management: That's right.

Moderator: Thank you very much. The next question is from the line of Lakshmi Narayanan KG from Tunga Investments. Please go ahead.

Lakshmi Narayanan KG: Sir, if I just look at your employee account which you have given in one of the pages, it has actually materially come down by almost 16% when I compared to Q1 of last year. And is it a conscious decision to bring down the workforce because your employee cost has been remaining the same, that is my first question. And also, when I look at your subcontractor cost it is actually half in FY24 when compared to FY23. So, if I just put it together, are we trying to be more productive, or is it always a flexible workforce?

Management: We are trying, so it's a combination, you are right we are more productive, productivity has improved by more than 12%, 13% that means the outputs have increased. We have not reduced manpower; we are now normal attrition.

Lakshmi Narayanan KG: It was around 21,000 something in August end, last year around the same Q1 and it has progressively come down. Now it's around +17,000.

Management: So, that's where I am saying, there are monthly attritions which we have not replaced. And that's why the numbers have come down, but if you see output it has remained the same because corresponding increase in productivity has been witnessed with all the initiatives, the back end that has taken, and we also had a healthy inventory which meant that we temporarily tuned down outsourcing capacities because we had good inventory, number of days inventory and we wanted to bring it to an optimal level.

Lakshmi Narayanan KG: So, that's one, what is the subcontractor cost because last full year it halved. So, what is that for this quarter?

Management: Deepanjan cost of purchase goods?

Deepanjan B: No, the subcontractor cost is what is captured as part of other expenses.

Lakshmi Narayanan KG: Can you just give a number and how it is compared to last year same quarter?

Management: So, compared to the.

Management: It should be half of it, since the volume has been half.

Lakshmi Narayanan KG: Got it. Any number you want to keep the subcontractor cost as part of your other expenses?

Management: No, how we actually look at it is, when we buy from subcontractors also we should, one we outsource the process so we want to make sure we get the right quality, so there is no difference in the product or quality. It should be an extension of Page, and we also pay the contractor or subcontractor well so that they can actually make meaningful profits and make sense as a business proposition, like how we work with our channel partners same way, and we also therefore see whether we can have the same EBITDA as we get from in-house manufacturing. So, there has been a strategy, so they are virtually like our own factory outside and we make sure that the EBITDAs are similar.

Moderator: Thank you very much. Ladies and gentlemen, due to lack of time that was the last question for today's call. I now hand the conference over to the management for closing comments.

Management: So, thank you again for participating in this Earnings Call. It was really a very interesting discussion, and thanks for your keenness in the results of Page Industries. We will look forward again to such earnings call in future. Thank you again.

Moderator: On behalf of Page Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.