February 10, 2025

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 31 December 2024.

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

https://youtu.be/uig3seOGRtw

This is for your information and records.

Thanking you,

Yours truly,
For Page Industries Limited

MURUGESH C
Digitally signed by MURUGESH C
Date: 2025.02.10 18:24:25 +05'30'

Murugesh C
Company Secretary

Encl: as above

"Page Industries Limited Q3 & 9 Months FY25 Earnings Conference Call"

February 05, 2025

PAGE INDUSTRIES LIMITED

CHORUS CALL®

MANAGEMENT: **MR. V. S. GANESH – MANAGING DIRECTOR, PAGE INDUSTRIES LIMITED**
MR. DEEPANJAN BANDYOPADHYAY - CHIEF FINANCIAL OFFICER, PAGE INDUSTRIES LIMITED
MR. KARTHIK YATHINDRA - CHIEF EXECUTIVE OFFICER- (DESIGNATE), PAGE INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 & 9 months FY25 Earnings Conference Call of Page Industries Limited.

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. 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, very warm welcome to you all. 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 3rd Quarter and 9 months ended of financial year 2025.

Before we begin, a quick 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.

Let me now introduce you to the Management participating with us on today's Earnings Call and hand it over to them for Opening Remarks:

We have with us Mr. V. S. Ganesh – Managing Director; Mr. Deepanjan Bandyopadhyay – Chief Financial Officer; Mr. Karthik Yathindra – Chief Executive Officer (Designate) .

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. Thank you, Anuj. And ladies and gentlemen, good afternoon and welcome to the Earnings Call for the 3rd Quarter of FY25.

As Anuj said, I am joined by Deepanjan – our CFO with us today. And additionally, I extend a warm welcome to Mr. Karthik and congratulate him on his promotion to CEO Designate. I am pleased to inform you that Karthik will assume the role of CEO effective April 1st.

Before delving into the detailed financials for the quarter:

I will provide an overview of our Q3 Performance:

In Q3, the operating environment faced challenges due to subdued demand conditions. Although early Q3 festivities suggested a resurgence in growth, this momentum did not persist in the subsequent months. Despite all these obstacles, we achieved satisfactory revenue growth through strategic management of operating expenses and targeted investments in personal technology and processes aligned with our strategic objectives. Our modern retail including exclusive brand stores and e-commerce exhibited impressive growth, significantly enhancing consumer reach and experience.

Our premium innerwear category gained strong consumer acceptance of enhanced products and improved fits. Similarly, our move range and athleisure demonstrated a very encouraging growth supported by effective market penetration. Our unwavering focus on optimizing operating expenses and maintaining good health as far as the inventory is concerned, contributed to robust profitability and profit growth. For Q3, we recorded a 7.1% increase in revenue and then impressive 34.3% growth in profit after tax. For the nine months-ended December 31st 2024, we achieved a 7.3% increase in revenue and a 22.6% growth in profit after tax.

We have continued to expand our consumer reach by increasing our retail touch points. As of the end of December, our network comprises of over 110,000 MBOs, 1,400 plus EBOs, and 1,212 LFS outlets. Our strategic focus includes both metropolitan areas and Tier-2 and Tier-3 cities. The e-commerce channel continues to experience significant growth compared to the previous year. I look forward to further engaging with you along with my team. Before that, I request Mr. Deepanjan to provide an in-depth review of the quarter specifics and they'll be more than happy to address any of the queries that you may have. Thank you.

Deepanjan B: Thank you, V.S.G. Good afternoon, everyone, and welcome to today's earnings call. I hope you are all keeping well. I am pleased to share the results of Q3 FY25 and for the 9 months ended 31st December 2024.

To take you through the key financial highlights of Q3, we recorded sales volume of 57.8 million pieces, which was a growth of 4.7% year-on-year. Revenue in Q3 was Rs. 13,131 million, which was a growth of 7.1% YoY. EBITDA for the period was Rs. 3025 million, which was a growth of 33.6% YoY. The EBITDA margin was 23%. Stability in raw material costs, sustained higher sewing efficiency, and controlled operating costs have contributed to strong EBITDA margins. Profit after tax was Rs. 2047 million, which was a growth of 34.3% year-on-year. Inventory days were 59 as against 93 days in the end of FY24. Focus on healthier inventory in distribution network has resulted in maintaining optimum inventory level. Working capital days were 55 days against 75 days in the end of FY24. We continue to be debt free.

For the 9 months ending December 31, 2024, sales volume was 170.4 million pieces, which was a growth of 4.6%. Revenue was Rs. 38,368 million, resulting in a growth of 7.3%. EBITDA was Rs. 8,273 million, which was a growth of 19%. And EBITDA margin was 21.6%. PAT was Rs. 5,651 million which was a growth of 22.6% year-on-year.

To summarize our financial performance in Quarter 3, we have continued to build on consumer reach through diverse channels while investing in the latest technology and digitization. While subdued consumption has constrained volume growth, we are well poised to capitalize on the improvement in demand situation. We can now discuss any queries that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone phone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Hi, thanks. So, the first question was on EBITDA margin. Congratulations on the 3rd Quarter performance. If I look at the run-up or how EBITDA margins have panned out, it seems to be a lot more on cost control. And given that is the case, you think there is an upside risk to 19%-21% EBITDA margin range that we were now looking at for FY25, given that most of the IT spends also have started to pan out. So, we would love to understand.

V. S. Ganesh: If you can just repeat the question, slightly muffled.

Moderator: Avi sir, your line is not that clear.

Avi Mehta: Sorry, my question was on FY25 EBITDA margins, given that 3Q has seen a much healthier performance and the drivers of it are a lot more cost controlled driven and not one-off. Is there an upside risk to that 19% to 21% range that you had shared with us in the last quarter?

Deepanjan B: No, I think while we have got good margins, which is I think beyond the 19% to 21% range that we typically target for, I would say that is more a unique phenomenon in the last 2 quarters. But for the FY25 as a whole, we are quite confident it will still be within this 19% to 21%.

Avi Mehta: I was just trying to understand, sir, why are we concerned about margins for moderating from this 23% level, given that what could be the cost or spend which you were expecting?

Deepanjan B: Yes, so there are several things. One is definitely the IT cost, which has just started coming in, which is part of our digitization efforts. We have just started the business process re-engineering study, which is kind of playing out now. So, we will definitely see a higher elevated cost as far as IT is concerned in the coming up quarter. There are also certain other expenses planned on the marketing and other areas, which is why we feel that while we will still be under within the 19% to 21% range, it may not be as high as 20% to 23% as we have seen in Q3.

Avi Mehta: Got it sir. And sir, the second question was on the sales side. 9 months sales rate is at 7%. With the tax reduction in the budget, how long do you think it would take for us to move back to the 15% level that we are seeing on a normalized basis?

Deepanjan B: I think there are two separate aspects while tax reduction for the income up to 12 lakhs is definitely a very welcome step in the budget. Our target consumer group is slightly different than this particular segment where the tax reduction has happened. But in general, this tax reduction is expected to create certain buoyancy in the market in terms of higher valid shares of the consumers. But how exactly will it affect the demand pattern? That is, we have to see how it evolves.

Avi Mehta: Okay, sir. That's all right, sir. Thank you.

Moderator: Thank you. The next question comes from Videesha Sheth from Ambit Capital. Please go ahead.

Videesha Sheth: Yes, so my first question was on the growth bit. If you can just help us understand the 7% growth profile better, which segment led the growth in terms of innerwear versus athleisure? And in tandem to that, what drove the lower realization at the moment of 2%?

V. S. Ganesh: I think all categories showed growth. I can't see any category coming under pressure, though the growth has been muted. One of the trends I can say, which we are able to see is that the premium products ranges in all of our categories have done comparatively better.

Videesha Sheth: Understood. And would it be fair to say that given that we're one month into the quarter, largely the tepid growth trend would have sustained?

V. S. Ganesh: Early days.

Deepanjan B: We will not comment on the current quarter.

V. S. Ganesh: It's early days to project that.

Videesha Sheth: Understood. All right. And the second question was, if you could just touch upon the channel level inventory bit, what is the situation now? And would it be fair to assume that secondary sales growth would be mirroring primary?

Karthik Yathindra: Yes, I think from the beginning of the year to now, we have seen about 5 days reduction in inventory across the channel. We are today holding about 17.7, almost 18 million pieces of inventory as far as the channel is concerned. Some of our large contributing businesses such as innerwear, I think our inventory levels are already at the optimum level. What we had initiated with the ARS process, we have come to that kind of optimum level of inventory. There is still scope for us to bring down inventory in the athleisure space, as well as let's say businesses like juniors. But these in volume are smaller contributors to our overall business. So, largely we are there in terms of what we had set out to reach in terms of inventory levels in the channel.

Videesha Sheth: Thank you. I will join back the queue.

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

Devanshu Bansal: Yes sir, hi. Thanks for the opportunity and congratulations on a good margin execution. Sir, among regions, a few players have indicated muted trends in the southern region, while the rest of the regions are doing better. So, is there a difference across regions for you as well? So, if you can comment on this please?

Karthik Yathindra: Not really. I mean, there is obviously a difference between regions performance, but we have not seen the South particularly perform lower than the rest of the country. There is always going to be a top performing region and bottom performing region in terms of relativity, but the gap in performance is not significant.

Devanshu Bansal: From a previous participant question, I also wanted to understand the reason for drop in realization growth. In Q2, it was about 4% and in Q3, it is about 2% despite Q3 being a winter quarter for us. Is it that target-based trade incentives etc. have affected the realization and it should normalize in the coming quarters?

Deepanjan B: No, I think realizations, our differential is largely because of the category mix which varies from quarter to quarter. As such, our schemes of promotions that we have, it's well within our plan. So, there is no significant variation there. Whatever variation we see in the realization that's more because of the category mixes.

Devanshu Bansal: Understood. And related question, we have not touched prices for a significant amount of time. So, do you foresee this happening sometime in FY26?

Deepanjan B: Too early to answer this question. So, definitely this year we have not taken any price increase. And even in the next quarter, it's unlikely. But for FY26, we are just in the midst of the budgeting session. So, once we have kind of finalized the budget, then we'll be in a better position to address this question.

Devanshu Bansal: Understood, sir. Thanks for taking my question.

V. S. Ganesh: Yes, so just to add to what Deepanjan said and in fact one of the first questions which was also asked by Mr. Avi Mehta also. Devanshu, I think as Deepanjan rightly said, it is early days, we are just preparing the budget. However, these current EBITDA levels gives us comfort to be at the 19% to 21% EBITDA range as we move forward, that is our comfort zone. So, we want to be somewhere there. And therefore, even if we have to touch prices, this should not put much pressure on us to have a very strong pricing prevention. But we will have clarity about this after we do our budget.

Devanshu Bansal: Thank you, sir. Thank you.

Moderator: Thank you. The next question comes from Gaurav Jogani from JM Financial. Please go ahead.

Gaurav Jogani: Thank you for taking my question sir. So, my question is again with regards to the margins. Now if you look at the cost breakup here, the employee costs have hardly moved. On a nine month basis also, it's up only 1% YoY. And the gross margin, if you look at it, it's not very high versus the historical level. So, your guidance for the 19% to 21%, is it also for the coming years or only this is for this year? And if it's also for the following years, what expense line item you really feel that you would keep pressure on the margins?

Deepanjan B: Okay, so when you say about 19%-21%, most specifically it is for the next or the upcoming quarter, which we are quite sure, quite confident that we will be able to maintain the range within 19%-21%. Also, if I look at FY25 as a whole, given the performance still now and the expectations for Q4, we are quite sure we'll be in that range. For the upcoming year, I think there are several factors at play. Definitely the question whether we have to touch prices. That is one factor, which, as we said, we'll evaluate further, we'll have more clarity once we complete the budgeting exercise. The other factor that will definitely have a play is the usual increase in manpower costs that will come in. And as we said, we have gone into significant digitization initiatives, which will come into full play from next year onwards. So, a combination of all these factors can impact the EBITDA margins marginally. We don't expect a major change happening there. So, with all our planning and with all our expected operations, we still feel it will be still within this 19% to 21%. But yes, quarterly there can be some variations. But largely, it should be within that range.

Gaurav Jogani: So, just one clarification here. At least on the gross margin funds, you are quite comfortable, right? Even though there is no inflation in the cotton prices and you are in such a comfortable position that you also need not think that the pricing. So, one can comfortably assume that at least the margin level, gross levels can be the same at the current level?

Deepanjan B: Yes, the way things are, I think we are not expecting any major upward movement in raw material prices and our production cost is quite well within our planned levels. So, we don't expect any significant change in our gross margin levels for sure.

Gaurav Jogani: And sir, my last and second question is with regards to the overall volume value growth gap. Now, if we look at it, largely we believe that the entire space of the innerwear is now stabilizing. So, what really, which segment do you really see the pain that is keeping the overall revenue growth below 10% and possibly what could lead this growth to double-digit growth or the 13%-14% growth that we were envisaging earlier or rather that used to be earlier guided?

Karthik Yathindra: The overall performance as far as the topline is concerned is a reflection of consumer offtake. And there we have not seen a significant difference between the various categories that we are operating with or with any kind of regional bias towards any particular part of the country. So, it is a function of how our consumer offtake improves across channels. Right now, this year also there was a little bit of an impact of higher inventory level at the channel, which we have come to a fairly good position by the end of Q3. So, what has kept us from delivering beyond what we have delivered is largely attributable to how consumers have responded and to an extent attributable to the inventory levels that we were holding. But the inventory levels are now in a much better shape than when we started off the year. So, going forward, what will it take for us to deliver higher growth rates will be a mere reflection of consumer optics.

Gaurav Jogani: And sir just one clarification here. This is nothing to do with the competitive intensity, right? We would assume that the competitive intensity is normal and nothing untoward?

Karthik Yathindra: We have not seen evidence of loss of shelf share in the general trade market, which is a significant portion of our business. And the rest of the business that we operate with are anyway exclusive stores, which is in a way isolated from competition. So, I wouldn't attribute much to competition. Of course, we have also not seen the results of other players within the industry. We are among the first ones to publish our results for the quarter. So, that is something that we will have our eyes on. But from the ground, we have not seen anything much effect from competition.

Gaurav Jogani: And sir just lastly, I think, please one more is on the e-commerce growth, you've been consistently highlighting that the e-commerce channel continues to grow at a very good pace. So, would it be fair to assume that the distribution of the GT channel in that sense would be growing in low single digits? Would that be a fair assumption?

Karthik Yathindra: Yes, that's a fair assumption. I think the highest growing channel for us has been e-commerce followed by modern retail and then general trade.

Gaurav Jogani: Thank you for taking my questions.

Moderator: Thank you. The next question comes from the line of Sameer Gupta from IIFL Securities. Please go ahead.

Sameer Gupta: Hi, sir. Good evening and thanks for taking my question. Firstly, I noticed that the volume growth has moderated this quarter and I would assume that the overall consumer dynamics in terms of subduedness, that has remained constant. So, just trying to understand the reason for this moderation, is it just a festive mismatch? So, we should look at 2Q plus 3Q together to gauge the current volume growth trajectory for the business. Is that a correct understanding?

Karthik Yathindra: Sameer, thanks for the question. But if you look at it from a YTD point of view, three quarters put together and the performance of Quarter 3, it's consistent, both in volume as well as value growth. Again, like I said, our Quarter 2 was better than quarter one mainly because inventory has gotten better, because what we are reporting here are primary numbers, which is a function of the inventory holding in the channel as well. With replenishment now acting in full swing, you would see variations quarter after quarter, based on the inventory levels held by the channel partners. But otherwise, if you see it either for Q3 or for YTD Q3, both volume and value performance has been exactly the same. And change in maybe the second decimal, that's about it.

Sameer Gupta: So, basically, the 5% volume growth this quarter is a better indicator of overall secondary growth in terms of volumes?

Karthik Yathindra: Yes, also Quarter 3 is a quarter with festive unlike Quarter 2. So, that's also a little bit of traction that you've seen. But I wouldn't attribute too much of it to revival because the delta is not significant between YTD and now.

Sameer Gupta: Got it. Secondly, sir, there is a change in the management structure now with Mr. Karthik as the CEO. Just wondering if there is any change in the way the organization structure, organization functions from here on, can you just elaborate a little bit on the thinking behind this change in the structure?

V. S. Ganesh: Well, Karthik has been with us for close to a decade, has been heading various functions, right from product management to product development, marketing, supply chain management, and he has been very much part of the core management team. And as a culture, as an organization, we take consensus decisions. So, he has been in the peak of all the activities of the organization, and therefore, it's a natural growth for him, which he well deserves. And as far as the delegation of authority is concerned, yes effective 1st April, Karthik is the new CEO. So, obviously, he will have the authority along with the responsibility which is given to him. But he will be guided by all of us. There is no other change in the senior management. And we guide each other, and we discuss each other, and work very closely together. As an organization, we have very, very ambitious plans to transform the organization, improve the technology, improve operational efficiency, and this has been going on for some time. In fact, the results which you are seeing today is the result of all those works which we have been putting in. And Karthik has been an integral part of those decisions, execution, all of those aspects of the business.

Sameer Gupta: Just a follow-up on this, sir, I believe the senior management, the whole team is a little relatively new in this role. I just hope or want a clear commentary that the structure is going to be stable for a decent time in future?

V. S. Ganesh: Yes, I beg to differ. All of us have been at a senior level have been here for a long time. Karthik, as I told you, has been with us for more than a decade. I have been there for more than a decade. Deepanjan has also crossed a decade. So, we have been with the organization for a long time. In fact, we find that we have a very stable leadership team. So, I don't think that is something which we need to worry about. And as a growing Company, we're blessed with a very, very strong talent pipeline, there can be growth opportunities to many of our associates as the brand grows, as the Company grows.

Sameer Gupta: Got it, sir. That's very, very helpful. One last question, if I may just squeeze in. It's more a bookkeeping one. I noticed that there is a gross margin expansion, large gross margin expansion this quarter. And other expenses are also flattish. And you said that raw material prices are mostly stable. And there is an ASP moderation, so just trying to connect the dots as to what is really happening?

Deepanjan B: Well, I think when we compare year to year, definitely the gross margin has expanded. The reason, as we said, is two. One, definitely the raw material prices have remained stable. In fact, on a year-to-year basis, raw material prices have slightly improved over the last year. The sewing efficiency has significantly increased. And that increased sewing efficiency is also reflecting as a lower labor cost in our product cost components. So, these two factors, largely taken together, is what is resulting in a higher gross margin.

Sameer Gupta: So, when you say RM prices improved, you mean they have decreased YoY?

Deepanjan B: Yes, marginally.

Sameer Gupta: Got it, sir. That's all for me. I will come back in the queue for follow-up. Thank you.

Moderator: Thank you. The next question comes from Sabyasachi Mukerji from Bajaj Finserv AMC. Please go ahead.

Sabyasachi Mukerji: Thanks for the opportunity. First question on the volume growth moderation in Quarter 3. So, just wanted to understand the secondary and tertiary level trends. Are we seeing moderation in those level as well? If you could explain a bit?

Karthik Yathindra: Sabyasachi, thank you. As far as Quarter 3 is concerned, our tertiary growth rates have been better than primary as far as our EBO stores are concerned. And general trade as well, our secondary numbers are slightly better than what we are reporting as primary numbers in terms of growth rates. However, with general trade, like I said earlier, large portions of our business which contributes to volume are now stabilized in terms of inventory level. We are at an optimum level of inventory at the channel partner. So, going forward, it will be a mere reflection of secondaries performance but for Quarter 3 in specific, yes, our secondaries as well as tertiaries have been slightly better than what's being reported as primary results.

Sabyasachi Mukerji: When you say better, is it on the absolute number of pieces or is it the growth rate?

Karthik Yathindra: Both because there has been inventory which has come down. Inventory holding at the partner level has come down and hence both when you compare primary with secondary, secondary volume has been slightly better. Even from a growth rate point of view, the growth rates have been better than primary growth rates.

Sabyasachi Mukerji: Got it. My second question is, again, on the demand environment, any sense, what are you reading from the on-ground feedback, probably from the distributor or retailer levels that probably when will it recover any sense, any things you are reading on that?

Karthik Yathindra: Well, Sabyasachi, in terms of when it will recover reading from the retailer is going to be a crystal ball gazing exercise. What we can look at is has there been month-on-month improvements and like-to-like growths for the EDS business which contributes close to 30% of our business so representative of the business that we handle. There is no great improvement in like-to-like growth rates when you track it month-on-month. So, retail and consumer demand has remained subdued. We did see like the Managing Director mentioned in his address, we did see some level of uptake during the initial portion of the quarter, largely attributed to the festive. However, November and December has remained subdued.

Sabyasachi Mukerji: Got it. And also if you can highlight the demand trends across let's say Tier-1, 2, 3, is there any large difference or gap where probably Tier-2, 3 is doing better or metro Tier-1 is little slower. Any color on that? Yes.

Karthik Yathindra: So, definitely the tier, I mean, as you go deeper in the country, the growth rate seems better. Again, these are not likes to like, it's also because of inorganic expansion in these areas. But all put together between metro, we break up our business into metro as one, Tier-1 and 2 as another and Tier-3 and 4 as a third. And as we go deeper, the growth rates are better. Again, the difference is about a couple of percentage points as you go deeper in each of these tiers.

Sabyasachi Mukerji: Is it like for like you are saying, I mean?

Karthik Yathindra: Not like to like, it's at an overall level because Tier-3 and 4 also gives us the opportunity that we have experienced some level of inorganic growth for further expansion.

Sabyasachi Mukerji: Thank you, that's all from my side.

Moderator: Thank you. The next question comes from the line of Arpit Tapadia from IGE Indian Family Office. Please go ahead.

Arpit Tapadia: Hi, thank you for the opportunity. I guess in continuation with the earlier participant's question, how do you see growth to be panning out in, let's say, medium to long term from here?

Karthik Yathindra: Sorry, can you repeat your question?

Arpit Tapadia: Yes, so I just wanted to ask, how do you expect the growth rate to be panning out in medium to long term from here?

Karthik Yathindra: That's a tough one to answer, Arpit. Like we are all seeing from the budget which has been published, we are hoping consumerism improves. There is some level of uptick in terms of disposable incomes and hence retail picks up. But it's very hard for us to put a number on it and say what is the growth rate we are expecting. What I can definitely say is that in terms of preparedness to meet revival in retail, I think we are there. Any kind of revival in consumer optics, with everything that we have put in, in terms of optimum inventory holding, the right inventory at the right place, availability of inventory, or the tech to capture that, we are preparing ourselves for that. So, as and when we see some level of uptake in consumer optics, I am sure it will translate to better business for us, but it's going to be hard for us to put a number on it.

Arpit Tapadia: Got it. And what has been the impact of ARS what we have implemented into our channels?

Karthik Yathindra: By impact, what do you mean? I mean, our inventory levels for the distributed have been optimized by about 5 working days. So, that much more working capital freed up. Today, close to 92% of our overall business is on ARS, which has been a significant improvement from where we started. And month on month, we have seen more portion of our business come under the ARS scope. So, almost 84% of our distributors who contribute to 92% of our business are now under ARS. And everywhere that we have come into ARS, we have seen better optimization of inventory levels for the distributor, better availability, which is showing in better order fulfillment at the secondary level.

Arpit Tapadia: Got it. And do you expect it to further optimize from here or this is the optimum what you expect?

Karthik Yathindra: So, like I mentioned, I think for larger volume businesses like our innerwear businesses, I think we have reached a fairly optimum level. There is this scope for us to improve and optimize further when it comes to our athleisure business, juniors business, and the socks business. These are some areas where there is still scope for us to further optimize.

Arpit Tapadia: Got it. Thank you.

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

Ravi Naredi: Yes sir, I would like to ask how much capacity expansion on card for next three years or we believe more on job basis work?

V. S. Ganesh: Mr. Ravi, we are now expanding and have, in fact, about to complete a project in Odisha, and it should start its operations by end March, early April. And we also have a sewing capacity coming up in a place called KR Pet, which is near Mysore in Karnataka. So, all these expansions are happening based on our long-term growth plans and by keeping in mind that the outsourcing to in-house balance is around 65-35, give or take 2%-3%. So, that is what we always work on. So, that two-thirds is produced in-house, one-third is outsourced, and that balance will continue. So, it will always be in-house capacity augmentation as the business grows and also outsourcing.

Ravi Naredi: Just my question in different way, how much capacity expansion we will do in next 3 years?

V. S. Ganesh: Yes, so these two factories is around 2000 sewing machines. And with that, I think our requirement for the next three years will be met with these two factories. In fact, Odisha plant has the ability and opportunity to work in two shifts also. So, our idea with these expansions, we should be able to manage our requirements for the next three years.

Ravi Naredi: Next three years, okay, thank you very much.

Moderator: Thank you. The next question comes from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Hi, sir. Thanks for the opportunity again. First, I wanted to understand if you could give us a sense on the incentives likely from the Odisha plant, if that is now, that clarity is available?

V. S. Ganesh: Avi, can you repeat the question please?

Avi Mehta: Is there any state level incentives or incentives that are likely to accrue because of the Odisha plant once it comes to commissioning? Is that something that you can explain?

Deepanjan B: Yes, there are several subsidies which is planned from Odisha plant. One major part is definitely the state subsidy on account of wages. So, there are significant wages subsidy for employees on-road for next 5 to 6 years. That is definitely a big contributor. And apart from that, there are subsidies in power, in water usage, even local GST. So, there are several subsidies in pipeline, even to some extent, CAPEX subsidy is also there. So, once the manufacturing starts, then we'll be eligible for all the subsidies.

Avi Mehta: And sir, any quantification here is what I was looking for. How should we see it going through? One is operational, which I understand, but other is also CAPEX incentives. So, any quantification of what is the likely number that can come in?

Deepanjan B: No, we are still in the process of actually estimating it, because as we said, the operations in Orissa will start scaling up in phases. So, in the initial few months, 4 to 5 months, the scale of operations is quite restricted. So, the scale of subsidies will also be similarly following the scaled up operations. So, we are in the process of estimating the exact quantum financial year wise.

Avi Mehta: Got it, Deepanjan. And just another bit, I wanted to just check bookkeeping. What is the secondary sales growth in the quarter? If you could give us some, what is the number like?

Karthik Yathindra: So, without giving away the number, Mr. Mehta, let me just say there has been a slight improvement in the secondary growth when compared to the primary that we have reported.

Avi Mehta: Okay, so exactly, I was just trying to get that it's 7% primary, is it like 10%, 12% secondary? But I get what you are trying to do.

Karthik Yathindra: And yes, please go ahead.

Avi Mehta: So, Karthik, my question was then that if I were to understand your comments to the earlier participants. What you were alluding to is for you to move from the current level of secondary upwards. You need a market pickup or is there any other levers that we have which we could apply? And this is both you Karthik and VSG if you could kind of give us some?

Karthik Yathindra: Yes, see, there are two ways in which growth would come in here. The organic growth will have to rely to an extent on market picking up and consumer offtakes improving. And then there is the expansion, which is purely increase in number of doors in which we're going to be present. These are the two pieces that will contribute to the overall growth. And yes, there is also some level of opportunity where we introduce more number of products per store that they're already available at. So, what I was in a way referring to was the large portion of the growth which needs to see some level of uptake will have to come from the organic growth, which is heavily dependent on consumer offtake. Our expansion plans are in line with what's always been there, how aggressive we have been over the last 4 to 5 years, whether it is with exclusive brand stores or with multi-brand stores expansion. So, I don't think there's any foot off the gas over there. We continue to expand with the rate we have been expanding.

Avi Mehta: Got it. Thank you very much. Thanks for this. That's all.

Moderator: Thank you. The next question comes from the line of Bharat Shah from Ask Investment Managers Limited. Please go ahead.

Bharat Shah: Hi. First thing first. Many times over several periods we mentioned that we're very ambitious plans for the future in terms of growth. And Mr. Genomal also many times has laid out his vision of likely business in the future, the level. But whenever we discuss the quarterly outcomes in the business, we typically ascribe it all to the consumer sentiment and general environment. If everything is going to depend upon just the sentiment or belief of the customers, then how are we seeking to achieve the so-called ambitious plans and the projects? You also mentioned that internally you are well prepared, technology, people investment, brand portfolio, production assets, distribution channels, all are in place. Then the picture one gets is that of a kind of a helplessness to the externality rather than having a number or a target in mind which needs to be driven to?

V. S. Ganesh: Yes, so Mr. Shah, thanks for asking that question. You know, if you see our growth over the last five years, it has been decent. Of course, despite even the pandemic and all those disruptions, if you see the last few quarters, everybody has been struggling. And in fact, I think even the government was the east of that matter that is why they also done what best they could do to improve consumption. So, what we should notice, we have done better than our peers. And that shows the strength of the brand and acceptance of our products with our consumers. And that definitely is what gives us hope for the future, because we continue to be the preferred brand. And if you see the pace at which the, if you look at medium term or even on long term, the speed at which the economy is likely to grow and the accelerated growth of the middle income and the way urbanization is happening and the way retail is getting organized more and more, especially the efficiencies and scale, the e-com side of the businesses is building over the years. All this augurs very well for us. And we are very happy that we have been able to actually, see this is how many brands can command a good bottom-line without touching the prices for 3 years running. That shows the resilience and the capabilities the organization has. These aspects definitely give us the courage and confidence that the future looks good. So, to put it in a nutshell, we are in the right place at the right time, the right country, the fastest growing economy, and powered by a dominant brand which has great products, good price, good talent, and an amazing partner network.

Bharat Shah: All of that will be muted outcomes, period after period. If the externals are favorable, the internals are well aligned, then why are the outcomes we are so cautious about outlining?

V. S. Ganesh: So, Mr. Shah, what I was trying to tell you is, yes, the externals have huge pressure and we have done better than what the markets have done. If you see some of the other very iconic FMCG brands also, the pressure they are going through, we are no exception, but the good thing is we have done much better.

Bharat Shah: No, but last year also when the economy did well, everything was in a far higher growth mode. We still, our revenues declined compared to the previous year. FY24 revenues declined by 4% compared to FY23. And generally these, this is a very basic and primary article of consumption. It is not easy and we are saying it is under penetrated category. We are an affordable premium product with a great brand and all of that. Then one gets almost a sense of helplessness about our destiny. Pardon my sense that's the picture I get when I hear on the call period after period.

V. S. Ganesh: Sir, that is definitely not the sentiment which we have. If you really look at it, we are very, very optimistic, and that's why we continue to stay invested. And we are making some very aggressive investments to modernize, embrace the best of the technology and continue to be a market leader and dominate the market. And in fact, we have been taking all the initiatives which are necessary. And we are not taking any shortcuts because we want to build and run a marathon rather than looking at immediate quarter or two. For us, we look at the quarter as 25 years from three months. And therefore, we are not taking short-term measures to buy sales with promotions or discounts or abnormally high schemes. We have stayed focused, built the brand, made our foundation stronger. And we are very, very optimistic and pretty happy. In fact, for us as an industry, when I look at the peers also, last year was much tougher than this year. This year at least everybody is showing recovery. We also recovering, but it is not at the level at which we would like the market to be at, but at least it is turning around. Last year was very tough for all of us.

Bharat Shah: One last bit on this, in terms of margins, over 14, 15 years that I've taken this business of Page, I've generally seen that we have a kind of a range of margin in mind and we want to remain within that range, which means even if margins in a particular period can go up beyond that range due to operating leverage, due to some other cost synergy or benefits that we may derive, we still would prefer margins to remain in that band rather than go up. Is that still the settled thinking of the organization? And therefore, we prefer to remain within 19 to 21 margin band? Or if I am not talking of quarter or quarter, I am talking in general for a year in longer duration. Are we kind of reluctant for our margins to expand if they are otherwise in a fortuous position to go up?

V. S. Ganesh: We are definitely not reluctant, but we are comfortable at that range so that we can actually improve our rupee EBITDA by augmenting better topline and make sure that we continue to be an affordable premium brand, an aspirational brand which gives quality product but still affordable premium and we don't end up outpricing ourselves. So, the muscle we actually got, Mr. Shah, is that for three years we were able to maintain our margins, more or less maintain our margins without touching the price. And that means we have been passing on the best value to our consumers. In fact, we have been upgrading our product without touching prices and making sure that we dominate the market and actually this is one of the biggest barriers which the competition may face because of this particular strategy of ours.

Bharat Shah: Which means basically we will prefer margins to remain in our targeted range.

Moderator: Mr. Shah, may we request you return to the question queue for follow up questions?

Bharat Shah: I am just finishing that question only and I will end it. So, we'll prefer our margins to remain in a targeted range, strategically speaking.

V. S. Ganesh: We are comfortable in that range. Historically, we have been comfortable. We were able to balance growth and expand rapidly and also reinvest in the business and take care of the investors with those kind of margin levels. And we will continue to review and revisit that, sir. But as of now, we are very comfortable in our 19 to 21 range.

Bharat Shah: Alright, thank you.

Moderator: Thank you. Participants, in order to ensure that the management is able to address questions from all the participants in the conference, please restrict your questions to two per participant. If you have any follow-up questions, please rejoin the queue. The next question comes from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: Thank you for the opportunity, sir. Just wanted to understand in this kind of gross margin and EBITDA, high EBITDA margin scenario, how are you investing into various categories for growth, men, women, athleisure? And could you give some color on how the growth rate, what challenges you are seeing apart from subdued demand in getting higher growth rates?

V. S. Ganesh: Karthik, you want to take that?

Karthik Yathindra: Yes, in terms of investments for each category, I think there's a lot of organizational investments that are happening, which is going to benefit all the product categories that we are operating in today. And a large portion of this is going into tech. We need to understand that we are reviving our ERP system, which is about a decade and a half old, which comes in with a lot of work, a lot of investment to keep us ready for the next decade. We are revamping the entire distribution management system that our distribution network works on today, which is again a massive project, not something that comes by very often. Again, we are looking at projects which will hold us in good stead for a good next 8 to 10 years. There is a lot of work happening on the product side in terms of PLM and other technology coming in. So, these are fundamental investments that are happening at an enterprise level just to up our infrastructure which will help the entire organization as a whole, right? Right from our entire supply chain system in terms of better availability, which is the ERPPs, the DMS, which will make it a lot more intuitive and informative for our sales team on the ground to sell better or our PLM which is going to help us improve our product range. So, large portion of the investment that's going back into the organization which both Deepanjan and Ganesh spoke about is at a fundamental infrastructure level. Now specifically for categories, again, there is no disparity in approach. We might have, we do have better consumer penetration levels across categories, because our men's innerwear is a lot more penetrated when compared to women's innerwear or outerwear. But the approach for increasing refreshments within the product portfolio is being consistent across categories. All efforts being taken to make sure that the products that we are offering are the best that it can be. Every single style undergoes a very detailed eye of evaluating whether it is the best it could be in terms of material, in terms of fit, or in terms of aesthetics twice a year. So, that process continues for all of our product portfolios. So, that's a constant effort which goes in. As we stand today, we believe that the headroom might be higher for the women's portfolio purely from the numbers that we see in terms of our penetration in the market and hence some level of disproportionate investments in terms of products, in terms of marketing, in terms of content will be going towards that area.

Prerna Jhunjhunwala: And how is the athleisure category doing and investments over there?

Karthik Yathindra: Yes, the athleisure category is actually seeing decent revivals. It was a bad year for athleisure last year considering we were coming back from the huge momentum that the category got immediately after the pandemic. There was some level of correction that had happened over 2023-24. This year, athleisure is trending better than how it did last year. So, in terms of performance of the category, it's been promising. In terms of investment as far as product is concerned, like I said, I think the same might that we go up to every category, you'll see something similar in athleisure as well.

Prerna Jhunjhunwala: Okay, the second question is on the category-wise performance. I know you don't share that, but can we see athleisure women where category is performing much better going forward due to these kinds of investments that you are doing and also about penetration levels, how your penetration levels have improved over the last one decade. You have been talking about 5% penetration in the women's category and how is it today?

Karthik Yathindra: Yes, so today women's innerwear as a category is between 6% to 8%. In specific for bras, we believe our share is about 6%, whereas in the panties business, we are higher at about 8%, which has gradually improved over the years. I do remember when we were quoting 5% as the number. Today, this is where we stand. However, when I compare it to men's innerwear, it's a lot more dominant, trending between 18% to 20% as our penetration levels. So, still a long way to go as far as the women's innerwear business is concerned, that is headroom. Athleisure for us is about 6%, but again, it's a much larger market and also a lot more number of players in that market, right? Because it's very difficult to clearly demark it between athleisure alone and the rest of the casual wear that's out there. Denims, casual shirts, all of these fall under the outerwear business of which athleisure is a portion. And there is usually a good transition between one and the other in terms of market price. So, it's very difficult to put a specific opportunity only for athleisure. What we know is that that space is ballooning and hence it gives us a lot of opportunity to do better.

Prerna Jhunjhunwala: Thank you and all the best.

Moderator: Thank you. The next question comes from the line of Rahul Agarwal from Ikigai Asset Management. Please go ahead.

Rahul Agarwal: Hi sir, good evening. Thank you for the opportunity. So, a couple of questions. Firstly, if I have to really look at 2030 from here and break down the industry into three categories mainly from a product perspective, right? One category would be the matured category where that has the highest revenue salience followed up with growth category where you see maximum growth. And third is the evolving emerging categories, where you think the base is very small, but they're growing, obviously, fastest in the overall scheme of things. If I take a next five-year view, what would be these categories in terms of your own opinion and internal analysis? And given the revenue salience change, which we should expect over the next 5 years, does this change the EBITDA margin profile of the Company 5 years out? That's my first question. Thank you.

Karthik Yathindra: Rahul, thank you for the question. See, even though I understand where you are coming from, I mean, internally when we look at it, we probably seem like we are a lot more mature in the men's innerwear business when compared to the rest. But even in the men's innerwear business, what we define as our addressable market, we are only about 18%-19% there, which means even in a category where a large portion of our business is contributed from, we see a big headroom to grow, right? And this addressable market has been defined in a very, very tight manner. And hence we truly believe there is no leakage there possible, which means all of those, that audience that we define as addressable market are truly addressable by Jockey the brand, right? So, even there, we are at about 18% giving us a very, very high level of headroom. And it makes it even more promising for the rest of the category, whether it's women's innerwear, athleisure, juniors, all of them where it is currently at a single-digit penetration against a tightly defined addressable market. So, keeping, especially with a long-term horizon, 2030 you mentioned, we should be going after each of these categories with the same kind of intent and momentum to grow and not confide in things one is mature over the other and hence we will look at it interestingly. Keeping that view, the way we structure the organization is also at a category level. So, today whether it is the sales team that is going after the revenue or whether it is the product team or our marketing team, they operate like companies within a Company. So, Men's Innerwear is a separate organization within the Company. Women's Innerwear is a separate organization. Outerwear is a separate organization. And Juniors and Accessories put together is a separate organization. They all operate internally with independent P&Ls with investments going into each one of them and dedicated resources for all the functions for that particular category. That is truly because we believe there is a huge headroom from a long-term point of view in all the categories.

Rahul Agarwal: Right. So, in terms of growth rates, you have to differentiate, next five years, should I have a differentiation or you think broadly each category, obviously the smaller category growth per percentage wise, but just from a revenue salience perspective, what do you think will dominate the business five years out?

Karthik Yathindra: No, we don't think the outlook will be very different because all these categories provide a promising future in terms of what we can garner from the market. And because there are dedicated resources and investments for each of these categories, all of them should go at a good pace. Of course, the lesser penetrated ones will have some level of inorganic advantage when compared to men's innerwear. But the way we look at it, men's innerwear will probably open up new doors, which will become possible inorganic expansion opportunities for the other categories in the future. So, we'd like to go all out in all the categories that we have. And in terms of EBITDA, our difference in categories is very, very low in terms of profitability. Yes, there are some portions of our business which is more profitable than the other, but those would be in decimal, maximum, up to 1% point. So, irrespective of what growth rates we deliver from which portions of the category, I don't see a big change in EBITDA because of the category.

Rahul Agarwal: And secondly, I had a question on capital expenditure. You mentioned Orissa plant coming up and the Mysore sewing facility. Just wanted to know what was the overall CAPEX on both these facilities separately and incremental sales they can support or the output if we have to quantify?

Deepanjan B: So, I think for the Orissa plant, we have an outlay of around Rs. 254 crores, but it is infrastructure, land, buildings, those kinds of things and another Rs. 60, Rs. 70 crores is moved towards machinery in phases. So, that's broadly the outlay for Orissa. We are more or less closer to finishing the project, and hence the more or less the entire spend is likely to happen within March. For KR Pet expansion, I think the outlay has been around Rs. 30 crores, which is again more for the expansion, more for the infrastructure. There are slight delays in the projects. So, it will phase out in next year. But yes, that's the range that we're picking up.

Rahul Agarwal: And Fiscal '26, that number is…

Deepanjan B: Sorry?

Rahul Agarwal: Fiscal '26, any CAPEX budget, would you like to share, please?

Deepanjan B: Not right now. As we said that, yes, the budgeting is in progress. So, once that reaches a conclusion, then we'll be able to share that number.

Rahul Agarwal: Alright, thank you so much and all the best.

Moderator: Thank you. Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to the management for closing comments.

Deepanjan B: So, thanks again, thanks for everybody to participate. It's been an interesting session and a lot of insightful questions. We'll definitely look for further interactions. Thanks for participating again.

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