

Page Industries concall Transcript - Q3 FY21

Update from the management

Vedji Ticku

- Revenues grew 17% (YoY), volumes up 10% YoY (22% sequentially)
- 100% EBOS are open, 93% LFS are functional, 95% MBOs are functional, commerce continues to be robust
- manufacturing and warehousing are back to complete normalcy
- seeing growth mom since August
- more focus on point of sale as a channel
- kids-wear continues to be a special focus, **28 EBOs for juniors**, 192 specific partners across 174 cities with a sales team of 150 people
- ***we see great potential in rural (tier 3 and tier 4 cities), expanding our distribution in these areas in a phased manner***

Chandrasekar

- Revenue growth is 17% YoY, EBITDA at 24% vs 22% last quarter and 17% last year same quarter (Q3 Fy20). All-time high revenue is achieved
- operational controls in advertisements and other discretionary spends have been key in controlling spends
- we're very frugal this year in operational spends; more control in working capital management
- Inventory has reduced, payables have increased due to increased sales
- The net working-capital is 551 crores vs 457 crores in March 2020

Q&A

Bharghav Buddhadev - Kotak

1) Raw material inflation (yarn prices going up), any price hike taken this quarter?

- there's a tendency for yarn prices to go up towards the end of a calendar year but we had taken price hikes in the total portfolio in last year August to offset this. will take one every year

2) Are we trying to place Kids segment + Women's MBO as well since mothers buy clothes for the kids? We believe kids segment has crossed 50 crores in revenues (management didn't confirm on this)

- Yes, we're working on such combinations. 28 specific junior EBOs, 20 in the pipeline. We know this is a large business in the next few years

3) Hearing plans on budget products (five to six buckets) in rural?

- Yes, we have shortlisted 30 odd products, we're running pilots in the last 6 months in the South. Results are extremely encouraging. Will improve the focus to the north and west as well. May do the same as we did with the juniors

Nehal Jahm - Edelweiss

1) From our historical performance, our business is suspect to limited seasonality. Did we do any incremental category, any spike in sales for a specific product segment to achieve this growth?

- Demand patterns have changed post-COVID, in-house wear has seen good demand in Athleisure. We did a lot of work in the backend by talking with retail stores; the same was done with the manufacturing side of the business. Joint effort across supply chain, product development team, distribution
- **surge in thermal wear (last 3-months)**

2) why such an increase in both gross and EBITDA?

- the price increase is one of the factors, material cost isn't a big factor since it hasn't reduced, labour factor absorption has been better which has also contributed to this. Better other manufacturing costs as well. Labour cost in

this quarter YoY is 7.8% vs 8.5%, manufacturing overheads is 3.6% vs 4.5% respectively

Arnab Mitra - Credit Suisse

1) Any difference in EBO growth vs overall growth?

- collective efforts from all the sides, added 7000 outlets on the retail side, **80 new EBOs have been opened, upselling of Athleisure has helped us well** (ASP is 2-3 times that of innerwear)

2) Margins - 21% historical vs 24% this quarter? Is this sustainable?

- 22% is our norm; this quarter is special due to opex controls + lesser discretionary spends. Going forward, ad spends will come back + tech investments. This year, we're tight on budget

Bharat Shah - ASK

No questions to ask, finally through all the efforts in the supply chain, distribution, product portfolio, tech, cost factors, we are seeing culmination into the performance as we've seen with Page earlier. I hope this is not a glorious exception

- we did get some tailwinds for the first time in 36-months; the efforts have been strong and we needed some support from the market which we see now; will go forward

Aditya Soman - Goldman Sachs

1) How much is pent up demand? 9M still down 19% revenue-wise?

- The kind of headroom in the market with low penetration levels, we see this 16-17% as genuine regular demand. Penetration levels - 20% in men's, 6-7% in women's, 8% in juniors. Socks business has come back nicely (was down till Q2 FY21). We believe we will continue to grow

2) Athleisure mix change?

- can't specify numbers, high double-digit growth, there has been a huge trial of Athleisure - people have found out the products are economically valuable.

Stickiness in our products is very very high. Athleisure is almost coming into our men's business in terms of overall pie (Wow!). Both women's and Athleisure segments are in high double-digit growth.

- Men's innerwear hasn't grown on a 9M basis (this was confusing)

Avi Mehta - Macquarie

1) Have we increased dealer commissions?

- distribution and channel partner commissions are same; no change in that

2) Typically, we take price increase in Jan, are not doing it this time?

- ***no plans for a price increase this FY since the price hike we took in August is sufficient***

Swagata Ghosh - Franklin

1) Added 7000 retail outlets this FY, what's the nature of these store additions? why weren't we reaching them earlier? do we support t3 and t4 with working capital?

- this is done on a whole (7-8 per distributor); supply-wise we were in a better position compared to Peers. We expect to add 10000 new stores by the end of FY. No additional cost from the distributor side to support this

2) Men's innerwear not grown but EBO has grown, how?

- Athleisure has grown much better; men's innerwear is marginally there compared YoY

3) Athleisure percentage in EBOs in the overall product-pie?

- 40%

Tejas Shah - Spark Capital

1) Indicative growth in MBO vs EBO?

- We refrain from giving these details; both the channels have grown in terms of the overall value

2) a large part of the network wasn't available earlier? are we seeing healthy growth in those networks as well?

- EBOs were mid 80% in August; we're 95% open now as of Q3.

3) Ad and marketing spend growth YoY and 9-month?

- we've taken cuts but we've already spent 2.5% (4-5% on average) which was budgeted earlier

Jaikumar Doshi - Kotak

1) How much of the trials of new customers are sticky, permanent? Any quantitative metric to gauge this?

- B/w 4-6 months, we see repeat sales in products of our categories, we're seeing this now. Worked overtime to get our supplies in line for our core products + Athleisure

2) ***Athleisure growth 9M?***

- Very high double-digit growth (super)

Akhil Parikh - Elara Capital

1) Any market share gain in core products?

- Unfortunately, there's no dedicated study of the market. Internal studies helped us to understand the market. 15 crore target people (both men's and women's). 20% penetration in men's and 6-7% in women's

2) ***Capex guidance for FY22?***

- 300 crore (nice)

Arpit Shah - Stallion assets

1) we hear a lot of shortages in the urban areas in men's innerwear; is it because of Athleisure growth?

- different lines altogether, we will be at normal lines in one month in the men's section. Demand was better than expected. Our stock-days are improving; supply chain will be back to normal after a 2-3 month struggle

2) ***With the offices being opening up, can we sustain the mix in Athleisure?***

- yes, been telling this since 3-4 quarters

3) EBITDA margins expectation?

- volumes are different every year; on an annual basis we believe we would maintain 22%

4) Rural products

- 18-months pilot across zones; we've chosen a bouquet of products to focus on this; strategy in place which will be headed by one of our senior management

Ankit Kedia - Phillip Capital

1) Men's innerwear degrowth for Q3 YoY or for the 9-months?

- 9M growth is slightly negative; obviously, it's in growth for this quarter YoY

2) Is growth in Athleisure sustainable?

- definitely yes

3) Innerwear growth?

- sustainable

Sameer Gupta - IIFL

1) e-commerce growth since consumers have adopted to it? what's your take on this since many premium foreign cos can access this channel as distribution is not the key here?

- we also have strong traction in e-commerce with our own store, amazon/Flipkart/myntra etc. Value for money, quality of the product cannot be matched by anyone coming in now since we've spent two decades to build this economically viable strategy. The aura and the brand presence wouldn't vanish all of a sudden. Our EBOs (soon to be 1000) will also help with the feedback for the online demand

Ashish Kanodia - Ambit

1) month on month growth from August till December, is it continuing in Jan?

- can't comment on Jan

2) since we've added 10-12% footprints in retail outlets, what's driving the degrowth in men's section?

- we lost one full quarter and the large base has not helped us here in the men's section. We cannot just get back all the growth lost in that quarter in the next 6-months. We will be at a much better stage at the end of the financial year