



10th March 2020

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: Transcript of Investor call

We herewith enclosed the transcript of investors call for the financial results for the Quarter ending 31st December, 2019.

This is for your information and records.

Thanking you,

Yours truly,
For Page Industries Limited

Murugesh C
Company Secretary

Encl: as above



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“Page Industries Limited
Q3 FY20 Earnings Conference Call”

February 13, 2020

MANAGEMENT: **MR. VEDJI TICKU – CEO & EXECUTIVE
DIRECTOR**
 **MR. CHANDRASEKAR– CHIEF FINANCIAL
OFFICER**



Page Industries Limited
February 13, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2019-2020 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 the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. We have with us today from the management Mr. Vedji Ticku-CEO and Executive of Director and Mr. Chandrasekar, Chief Financial Officer. I will now hand the conference over to Mr. Vedji Ticku for his opening remarks. Thank you and over to you Sir!

Vedji Ticku: Thank you. Good afternoon, ladies and gentlemen. This is Vedji Ticku here. I will just give you a quick update about our Q3 results.

Our revenues grew by 7.1% year-to-date and around 7.5% for Q3. Our volumes grew by around a percent for the year-to-date and dip of around 2.8% for Q3. Volume growth has been flat during this year, due to the sluggish demand. Our outlook for the market remains positive for future and we continue to invest in our key resources, channel partners, automation and technology. Our marketing efforts continue both online, offline, media, out-of-home and most importantly as a point of sale.

On the capacity side to support our future growth plans, we continue to work towards doubling our capacity from the existing 260 million pieces in next four years to five years. Operations in our new plant near K R Pet have commenced and we have close to around 150 out of the 800 machines planned operational now. We will have all the machines operational by the end of June 2020.

On the product side, we continue with our focused approach on our core business verticals of men’s innerwear, women’s innerwear, athleisure for both men and women, socks and towels. We have launched some innovative products both in terms of fabric innovation and standing across all our business verticals.

The kidswear business continues to be a special focus area. It has shown an encouraging trend with good customer acceptance and feedback. We have a separate and focussed field in marketing strategies for Jockey junior vertical. We now have a separate sales team of over 120 people across the country, headed by an independent National Sales Manager, to have focus on the business. We also have special marketing plans to support the initiative.

During quarter we opened two 2 stores only for Jockey junior business.

I now hand over to our CFO, Mr. Chandrasekar to take you through the financial results.

Chandrasekar: Good evening all and welcome to the call. Our nine-month revenues for this financial year, is 24,042 million, a growth of about 7.1%. The nine months PAT is 3,122 million. There is degrowth of 2%. The PAT for the nine month is at 13% as against 14.2% year-on-year. However,



the gross profit remains at 40%. It remains strong and steady at around 39% to 40% even compared with last year and previous quarters.

A temporary dip at PAT level is entirely due to the investments that we have made in people, in technology, in sales and marketing in the channel and this is done solely with an eye on the future growth which will also drive our profitable growth in the coming quarters and years to come. We have also maintained always that we never cutback on our investments even when the market is sluggish, and we continue to make the relevant spends to build a strong foundation for the company.

The Q3 revenues are 7,938 million and that is also a growth of about 7.5%. The Q3 net profit is reported at 870 million, there is degrowth of about 14.6%. The PAT is 11% against a comparable last year of 13.8%.

So, with these opening statements, I suggest we proceed to the Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin for the question and answer session. The first question is from the line of Dhaval Mehta from ASK investment. Please go ahead.

Dhaval Mehta: Good evening team. Thanks for the opportunity. Sir, my question is related to incentives, so if you see in this quarter, incentives have increased by roughly around 180 BPS YoY, so in absolute number from Rs.21 odd Crores, it has increased to around Rs.36.5 Crores. Is there any change on ground in terms of competitive intensity or any change in our go-to-market strategy? Any particular reason for such a sharp increase in incentives that we have seen?

Vedji Ticku: No, incentives have always been a percentage of our sales and we have always worked with the budget in mind for the incentives for the year. While we could have changed from quarter-to-quarter, we make sure that we are well within our budgets by the time we close the year.

Dhaval Mehta: Okay because even if we see for nine months, as a percentage of sales, it has increased by around 130 BPS which has actually impacted the gross margin of our company despite lower yarn cost; How will this trend will be going forward? Should it will be around 4% to 5% of sales or it will be a specific number?

Vedji Ticku: It has always been 3.5% to 4% of our sales all these years and that is how we have maintained it and we look forward to maintaining it going forward.

Dhaval Mehta: Okay. Sir, my second question is if we see our volume performance at 1%, the price growth is much higher in this quarter. Is it largely because of mix, because of winterwear or is there any other thing to call out?



- Vedji Ticku:** No, you are absolutely right. It is because of the mix and of course yes, the winterwear – this is the peak season for winterwear and that is at a much higher price. It has higher average price as compared to our average price for innerwear.
- Moderator:** Thank you. The next question is from the line of Avi Mehta from IIFL. Please go ahead.
- Avi Mehta:** Sir, I just wanted to reconfirm that you saw a 2.8% decline in volumes in this quarter, could you give us a sense on how it has been across the segment qualitatively?
- Vedji Ticku:** Across the?
- Avi Mehta:** Men's, women's and the leisurewear any qualitative comments and was it across the board or where is this declined been sharper in?
- Vedji Ticku:** I could say that it is sort of uniformly across the board. It is not specific to any vertical or a range.
- Avi Mehta:** Okay and Sir second is that in a last quarter you had highlighted that gross margins were under pressure, it has not declined on a YoY basis largely because of product mix. Is that the same reason for the decline in gross margins and is the demand which is resulting in this pressure and hence likely to continue, any comments on that would be helpful?
- Vedji Ticku:** The demand pressures have been here throughout the year for this entire financial year and if you look at the gross profits, we have maintained the gross profits. Some costs which we have taken on keeping the future in mind, have sort of adversely impacted the net results, but as far as the gross margins, they have not changed much.
- Avi Mehta:** Sir but If I look at the gross margin, I see there is an impact that I see in this quarter specifically. I was just trying to parse whether this was because mix again or was there any promotional intensity?
- Chandrasekar:** Yes, you are right Avi. As far as the gross margins are concerned, it is 38.2% for this quarter against 40.1% for Q3, FY19 and that is largely because there was under absorption of the factory overhead and labour for this quarter alone but on a nine months basis, we are 39.6% YTD as against 39.4% for 9m, FY19 and when I say gross profit I include all the material, labour and the factory overhead. Gross margins would remain around that 40% mark consistently even going back to last year.
- Avi Mehta:** So, the price increase that we have taken recently should help us pass on this. Is that fair that we have to look at it because typically peak price increases at this time, right? So, would that help us tide over these pressures as we go forward in across margins?
- Vedji Ticku:** Price increases have helped and yes you are right. Going forward, with a full impact of the price increase would improve the margins a bit.



- Avi Mehta:** So, would you read that your margins expectations for FY2020 at 21% on an overall basis given that nine months has 19%, how do you see that trending in and what could you give it?
- Chandrasekar:** YTD are around 19% as far EBITDA before financial income and finance charges. In Q4 we do expect to improve that with better recoveries of the overheads but as Vedji said, at the same time, we are creating a future by investing in people, technology, automation and in the channel, so that could have some impact. The expected volume and revenue growth has not come but if that be so then the margins would be pretty much intact.
- Moderator:** Thank you. The next question is from the line of Akshen Thakkar from Fidelity Investments. Please go ahead.
- Akshen Thakkar:** Thank you. I just wanted to understand the way you define gross profit in the presentation. Over and above the raw materials that you guys have disclosed there are other cost line items sitting over there, what are the different line items which you include over and above the raw materials over there?
- Chandrasekar:** Apart from raw material, you have subcontract expenses, power and fuel, consumable, stores and spares, repairs and maintenance and all of that. So, the gross profit is after all those factory related costs of materials, labour and overheads.
- Akshen Thakkar:** Okay, if I see your annual wage cost last year let us say was Rs.450 Crores or Rs.467 Crores, what part of that would be towards manufacturing, I am just trying to get a rough sense here?
- Chandrasekar:** YTD labour cost would be in the region of 2,000 million.
- Akshen Thakkar:** I missed what was the volume growth for the quarter Sir, if you could just repeat that?
- Vedji Ticku:** The volume growth is -2.
- Akshen Thakkar:** Could you just help us understand volume growth despite our best efforts has been slightly muted, how much of this is generally with what has been happening in the market or is there like channel level destocking or something to that affect, if you could just give some colour as to how do we read the volume performance over here?
- Vedji Ticku:** Akshen, as you are aware that we also have close to around 700+ own stores now and that is quite a good barometer for us to understand what is the general sentiment and trend in the market because these stores are across the length and breadth of this country, across the cross section of cities, metros, Tier I, Tier II cities and we very clearly can see a trend that the walk-ins to the stores have reduced considerably in the last couple of years. So, one of the biggest reasons has been that the offtake from the stores and the shelves is low, that has been the only reason for this degrowth in the volume.



- Moderator:** Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.
- Aditya Soman:** Good evening. Just two questions from my side. Firstly, was there an increase, you mentioned channel incentives, so despite channel incentives there was sort of a decline in volumes in the quarter, what would you attribute that is it just the economic environment or do you also see other competitors just giving higher margins?
- Vedji Ticku:** As I just explained Aditya that there is a general sluggishness in the market right now and the offtake from the shelves is much lower. So that is one of the biggest reasons for this. For most of the people who are now catering to the premium segment of the business, the margins are around the same, there is hardly any difference between the margins which have been offered by all other brands.
- Aditya Soman:** Yes, the reason I was asking was because you indicated that channel incentives were higher, so if not, margins were they higher in some other format in terms of extra credit or something of that sort?
- Vedji Ticku:** No, not at all. What I said earlier was that our incentives are bound by the budget. So, when we start the year, we have a proper plan for the amount which can be spent towards the incentives, especially the trade incentives and we, by and large, stay within the parameters of our budget. So, there could be quarter-to-quarter dispersion between the amounts which could vary but by the time we end the year, we always had been within our budgets. So, I do not see that it is changing much and we should be within our planned budgets by the time we close the year.
- Aditya Soman:** Just lastly, in terms of volume decline was there a difference in sort of you own stores relative to say the MBOs?
- Vedji Ticku:** No. It is actually an interesting question. For some reasons, we have been noticing this for many years now that our company's overall growth and our like-to-like store growth, our own store, the EBOs, it has always been more or less 1% + or -, they have always been almost coinciding and they are quite similar, both the MBO business and the EBO business as a percentage sale of growth.
- Aditya Soman:** Understand. So, some of your competitors have indicated that they were sort of some wholesale disturbance because of availability of credit and supply but for you it seems like it is like a small uniform across?
- Vedji Ticku:** We have always been prudent with the number of days of credit given to the channel and it always worked for us all this while. We do not have those issues.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.



- Bhargav Budhadev:** Good evening. Sir is it possible to know what has been the average price increase across categories on a YoY basis?
- Vedji Ticku:** Our prices are within the range of 4% to 5% and that even for this year our prices had increased around 4.5% overall.
- Bhargav Budhadev:** Secondly, Sir how has been the implementation on the ARS side, has it been implemented across categories and what percentage of geography would have been covered by ARS?
- Vedji Ticku:** As I had explained in my previous call also we did not go by the geography, but we went by the business size. How we worked was that we started with larger distributors and kept on going down and currently close to around 30% of our business is covered through ARS which is across the geographies and that is how we approached it.
- Bhargav Budhadev:** Would you attribute this volume sluggishness to ARS implementation?
- Vedji Ticku:** Not exactly, to some extent it has for sure because now the stock levels that our distributed points are more in line as to what they should be. So, may be to some extent it has definitely made an impact to that but we think for the future this is the right way to do it.
- Moderator:** Thank you. The next question is from the line of Tanvi Shetty from Axis Securities. Please go ahead.
- Tanvi Shetty:** Could you give me the breakup of your segments across in terms of revenue across men's, women's, athleisure and kids?
- Vedji Ticku:** Sorry Tanvi we do not give that breakup as a policy.
- Tanvi Shetty:** Sir could you would then give me a sense on qualitatively how all the segments have been doing, what initiatives you have been taking specially in women's Sir assuming 20% is women's?
- Vedji Ticku:** As I said in my opening statement, we have been trying to work on each and every vertical of business whether it is men's innerwear, women's wear, athleisure and especially the junior business which we are taking very seriously, and we have separate team set up for that. So, coming back specifically to your question about women, there had many new products which have been launched on the women side of the business both in the innerwear as well as the outerwear side. So, we have seen some good progress on the outerwear business and especially on the bra business. We have launched many new styles in the bra which was a feedback from our product management team and we implemented all those requests from them and we have launched many of them and some of them are still in the early stages as we will continue launching new products on the women's side and there is some good traction in our EBOs for these new products which we are launching.



- Tanvi Shetty:** Thank you Sir and my next question will be on distribution front, could you tell us that how much of your revenue comes from wholesaler or is there any wholesaler in your distribution model?
- Vedji Ticku:** No, we do not have wholesale as a model at all. We sell only through distribution and besides our e-commerce business and direct business which we do is key accounts, the entire business is done through our channels. So, I would say that around 90% of our business is through our distributors.
- Tanvi Shetty:** Okay and what will be the number of distributors till date and what rate would they be growing, if at all?
- Vedji Ticku:** Currently, we have around 4300 plus distributor accounts because we have distributors for verticals now and these are typically going by around 4% to 5% year-on-year.
- Moderator:** Thank you. The next question is from the line of Vinod Bansal from Franklin Templeton. Please go ahead.
- Vinod Bansal:** Couple of questions, one you mentioned the whole market sluggishness continues to drag on the performance. If you look at the other players in the apparel space in the same discretionary apparel space which may have a larger ticket size and typical innerwear yet the commentary there is that the market seems to be doing fairly well and the reported SSGs are very healthy high single digits, low double digits. Where is it that innerwear is getting disconnected from that market despite both being in similar ticket size and similar discretionary space?
- Vedji Ticku:** On the contrary, Vinod what reports we have is that most of the apparel brands actually in the quarter have degrown except one group, most of the others have degrown. So, if you are taking just one, I am not sure about that but it is no difference at all. The inner wear industry is very much part of the apparel piece and most of the apparel and the innerwear, even if you take all the innerwear competitors or dealer wears, or the people playing in the segments, this is a general story because we have the report from all other companies which we look at and the story looks to be quite similar, and even worse at many places.
- Vinod Bansal:** Sorry I do not have much of history about this business. Could you share your insights as to when we had downturns macro slowdowns earlier three years - four years back or five years – six years back in 2012-2013 go by priors' downturns, did the innerwear perform as weak as you have this time around or this is particularly weaker this around for the industry?
- Vedji Ticku:** This time around, it is weaker. And see, the other thing around was 2008 which was almost 12 years back. And even our size was very different .It is definitely little bit weaker this time around.



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Vinod Bansal: I am sorry I joined a bit late. Could if you share again if have shared already the EBO Same Sales Growth for you what would be like this quarter and for the nine months?

Vedji Ticku: No, I did not share that separately, but as I said I was answering the earlier question, our growth has been pretty similar. The overall company growth and our like-to-like growth of EBO has for some reason for many, many years remained consistent. So, it is more or less at the same level where the company is going.

Vinod Bansal: To repeat the question that we have asked in the earlier quarters as well. The strategy right now would be to wait and let the macro improve and, in the meantime, do our micro initiatives like the ARS and other stuff and grow back once the market is back in shape, is that how you are looking at the business or there are some plans as well within that?

Vedji Ticku: While that is definitely plan A, at the same time, we are also taking lot of initiatives on the product side to keep on improving our product and offering the value for money which Page has pioneered in the industry. So that effort continues from our side and yes, we will need some tailwinds to support us and we are doing everything possible in our control so that we can proceed in the new financial year with at least something of what we are used to. This is not what we are used to and we will continue every effort at our end for example; Mr. Chandrasekar gave the example of investment in people, technology that continues. The ARS or digital side of the business, both in front end and back end, are working on our supply chain. We have got on to JDA for complete planning at the back end. So, we are investing very heavily on these sides of the business for that we are robust and as soon as we have strong winds we are ready to fly again.

Vinod Bansal: Is it fair to presume that the ongoing quarter, the current season, is equally sluggish as you have seen so far in the year?

Vedji Ticku: I would not be able to reply on that because that will be futuristic.

Moderator: Thank you. The next question is from the line of Mohit Khanna from Future Generali India Life Insurance. Please go ahead.

Mohit Khanna: I just wanted to ask regarding competition and the channel – have you seen any sort of come back in the market starting January or how do you think that the competition is fairing and where do you see yourself because as you rightly said in the last answer that Page is not used to these kinds of growth rates?

Vedji Ticku: Competition is not something new what Page has seen now. There have been players in the premium segment of the market way back from 2004 when Heinz arrived in India and after that there have been many other brands who came – some have shut shop, some are still there so it is always been there, all through. We have always looked at all the other brands but at the same time we have always felt that the most credible competition is ourselves, because we have to keep on handling what we have done and keep on improving on what we have done all these



years. That is not something which is sort of a worrying factor. We just need to keep on pushing ourselves and doing things in a better way and that is what we have done all these years.

Mohit Khanna: Also, in the press release you have mentioned that lower ticket products are probably selling more than the premium ones. Could you just elaborate on that? Thank you.

Vedji Ticku: No, we did not say that, on the contrary, it is the other way around. We are saying that one, there is a product mix that is why there is this growth rate which you can see which is higher than the volume growth. One is the core product mix and then within each vertical. The premium products are selling more than the less premium, pricing wise and not the product wise. So, it is on the contrary to what all you are saying.

Mohit Khanna: Basically, if I understand this correctly, sum this, that the higher priced products are selling more and that is the reason that your pricing growth in this quarter looks at around 10%, even though the price increase have been somewhere around 4.5%.

Vedji Ticku: The mix also plays a big important role as I said in the first question I answered because of the thermal season we also sold of thermal during this quarter so that also made an impact.

Moderator: Thank you. The next question is from the line of Krishnan Sambamoorthy from Motilal Oswal Securities. Please go ahead.

K. Sambamoorthy: Yes, most of my questions have been answered, just two questions – what was the yarn procurement cost for the third quarter and what was it for corresponding quarter last year, as well as what is the procurement cost for the quarter to date?

Vedji Ticku: Krishnan, we do not share the cost of raw materials but I can tell you that they have been consistent for the year and we did not have any major spikes in the cost of raw materials.

K. Sambamoorthy: Okay and that has not happened in the current quarter ongoing quarter as such?

Vedji Ticku: I can talk about nine months, it was pretty consistent for these nine months.

K. Sambamoorthy: Okay and my second question is regarding inventory which had spiked up towards the end of the last financial year. How does that look like now?

Chandrasekar: Inventory has come down significantly, Krishna.

K. Sambamoorthy: If you have to quantify it in number of days approximately how much would that be?

Chandrasekar: Inventory number of days has come down to about 75 days of revenues from about 85 days in the last quarter. So there has been a significant improvement in inventory days. I also mentioned earlier on the call that we produced less so that is the reason for the under absorption of the factory related overheads.



Moderator: Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: First question was on the gross margins again, so you explained the reported gross margins versus how we see it which is COGS, cost of raw material plus purchased goods plus stock change. So, if you look at that there seems to be a very dip in gross margin but the way you see at there is much of a dip. Is it largely to do with outsourcing that you now have a much higher proportion of outsourcing versus last year and therefore, conversion cost is getting captured in your gross margin calculation in the RM cost itself?

Chandrakar: So, there is one reason, but that is not the only reason. So we have to take a comprehensive view of the gross margin which includes labour and subcontract expenses which are the outsourcing as well as the factory overhead. Our gross margins have been pretty steady throughout last year and this year also and there is 200-basis point decline in the current quarter only because of the lower production.

Arnab Mitra: My second question was on your EBITDA margins now if we go back in to history you normally used to operate at 21%-22% this year probably you will be more like 19%. So, do you see this more as a new normal or as growth comes back you will expect operating leverage to take up the margins back to that old zone of 21%-22%?

Chandrakar: That is always the way we look at things so this year is not a normal. I do not think we can talk of new normal because the demand has been pretty sluggish, flattish growth so the market will definitely come back and as you rightly said, the operating leverage will improve going forward so we will get back to the margins that we have always been delivering.

Moderator: Thank you. The next question is from the line of Sumit Patodia from Motilal Oswal Securities. Please go ahead.

Sumit Patodia: I wanted to understand one thing, you are implementing a new ARS system and at the same the time, if we go through your website there seems to be an explosion of SKUs that must have likely happened. So how challenging does this get internally? Forget the demand part, is there a fulfilment challenge as well that you may be seeing?

Vedji Ticku: There are two things with your question, one is the new products which we have been launching and the other is how the ARS will be managed with all these new launches. As you are aware all our distributors are based on vertical businesses so even if you launch say 50 products, by the time you can distribute into each vertical, and we are talking of around 4 to 5 products per vertical because we have men's inner wear within men's; we have two verticals which are premium and modern classic; then the women's; then we have the athleisure men's, athleisure women's and then the Juniors. So, it is not very daunting when you look it at when you break it down at the distributor level and ARS is put in to place to manage the SKUs. With more SKUs, if you are on ARS, life is much easier and ease to manage the business is the whole idea of ARS.



- Sumit Patodia:** Right, if you were running without ARS would have a little more inventory in the supply chain right, so I am just trying to understand if this supply chain has got leaner and that also may be showing up in the topline decline which may not actually fully reflect the retail demand?
- Vedji Ticku:** As I said earlier, to some extent, of course, those number of days have been reduced from our distributors because the whole idea is that we want our distributors' ROI to improve, we want the stock to be healthy and hence loss of sale is taken care of by having the right relevant stock at each distribution point and eventually at each retail point. So yes, there has to be some pain for some gain and this is the pain part and I am sure once we completely go through this there is going to be a lot gain out of this.
- Sumit Patodia:** Second question was, are there more products or more categories that you are looking at or you have plate full already now?
- Vedji Ticku:** Not more categories but product within the categories, yes.
- Sumit Patodia:** We will not get into let us say towel or socks or leggings, would do you call them new categories or new products?
- Vedji Ticku:** No, towel is a category, socks are a category, legging it is the part of the athleisure business, it is the women's athleisure business.
- Moderator:** Thank you. The next question is from the line of Saumil Mehta from BNP Mutual Fund. Please go ahead.
- Saumil Mehta:** Sir my first question is, if I do an employee basis there is a mix improvement of about 4% to 5%. Is it fair to assume that the improvement mix really does not impact margins because margins do not seem to improve even on a gross margins payable?
- Vedji Ticku:** The margins are on the overall level. When we talk about the 20% - 21% EBITDA margins, we are talking at aggregate level. So while we take the products and we try to sort of price them very close to that, we have this average EBITDA across the verticals of the business, but there could some products which could be slightly higher and some slightly lower but overall at the larger scale it does not impact the margins.
- Saumil Mehta:** With respect to yarn prices, you say they are stable, is it assumed they remain unchanged because from companies which we track and it would seem that for them the yarn prices seem to be on down trend, so have we received any benefits of the same, just wanted to confirm that?
- Chandra Sekhar:** Not more than -1% or -2% based on the fabric and the mix that we use. There is some improvement, but it is not significant for us.



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Saumil Mehta:

My last question with respect to channel checks how is the traction in the women's and kidswear because the channel seems to suggest that there is not much of traction your comments on the same, how are we looking at that piece of the business over the next two years to three years?

Vedji Ticku:

See it is not any different from any other vertical of the business because we have separate distributors for the women's as well as the kid's business and they are managed by separate teams on the ground. As far as the women's business is concerned, I have said the same in the previous call it gets draft under the overall size of Page. But if you take the women's business alone and compare with all other people in the business in that category, we are probably four times to five times larger than the next person in the business or a next brand in the business. So, we are relatively a very large business which is managed completely by a set of people at the ground, who do not do anything with the men's business; there is a separate focus in that way and I was also replying to the question earlier. There are many new products which have been launched both in the inner and outerwear on the women side especially on bra side, some of them have just come to the market and the few more are along the way. So yes, that is one market which we are going to push very hard because even our penetration levels are much lower there as compared to the men's innerwear. Just an example we talk about 19% to 20% men's fabrication on men's side and it is around 5% to 6% on the women side. So huge headroom and potential there and when I come back to the junior business or the kid's business I explained earlier also that we have completely segregated with team from the main business. The whole idea was to create a focus because we can very clearly see that this is one market where there is an immense potential and there is no pan India branch who have these kinds of distribution what Page has. We want to leverage that distribution. In fact, that is one of the major costs which impacted during this quarter because we have hired around 120 people on the junior business side, headed by a separate National Sales Manager who reports into the overall present of sales in the marketing so that we have complete focus on these businesses. We are very clearly known that we are going to push business very strongly for the next two years to three years and the same people would deliver almost four to five times of our current turnover forward. So, absorption of the cost will be much going forward on the kid's side.

Moderator:

Thank you. The next question is from the line of Ritesh Gupta from Ambit Capital. Please go ahead. As there is no response from the current participant we will move onto the next that is from the line Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah:

All along we have talked about the resilience of our pricing capability and maintaining margins in a certain territory. In the first nine months, it is well below that territory but not only that the underline presumption goes all along that the margins that we are talking about, below that margin, interest and the depreciation and other numbers would also follow in a similar way. In other words, what will happen like an operating margin level will fall at the pretax margins in a way but this time it has been distinctly different; not only have the operating margins fallen below that minima, in fact not in that range of 20 even 22 but below 20 and items below interest, depreciation other income all have moved in the other direction on an adverse side, therefore pretax margins which were one always kind of completed have fallen well below what one is



always attributed to Page. So, I am bit confused about how we were looking at maintaining the pricing power and strength of the margins what we are talking about?

Chandrasekar:

The pricing power is intact, and we do not increase prices beyond 3% to 5%. We have never gone beyond even 4.5% in any of the years. The pretax margins are definitely challenged, even for nine months, and that is maybe because the growth trajectory that we were expecting or planning, for example mid teens kind of growth on revenues could have easily absorbed all these overheads, but the management philosophy has been to stop any investments as with respect to people. We have brought many senior people on board in sales and marketing, and even at the backend. We have also continued the round a bit of investment in technology and automation and point of sale distributor management system, JDA implementation for the sales and operations planning, as well as we are going to look at S/4HANA for the Core ERP. So, these all reflects the confidence which we have with respect to future. The volume growth will sort of be able to absorb and deliver margins that we are used to. We do not have the practice of over burdening the consumer just because we have the pricing power; that is the thinking.

Bharat Shah:

I appreciate. There are two points, overburdening customer is a bad idea as well as stopping investments to create the future of the business based on the current challenges also would be a bad idea that is way we will under invest in the business and not allow its full potential. But my point was slightly different. It is one thing that our operating margins are below the kind of range that we are accustomed to, even below the lower end of that range, but items below operating margins also seems to have been affected adversely. Virtually charge of depreciation is doubled. Interest cost is doubled.

Chandrasekar:

Let me clarify that. The finance charges and the depreciation are only the results of Ind-AS 116. So, you will see it has been pushed below the line because the rent is now treated under Ind-AS 116. The only operating item where we have declined below the line is in the financial income, because last year we had a lot of money to invest in debt mutual funds and since we have given away a substantial portion of the free funds in terms of dividend, we do not have that much money like last year to invest. That is why you see a decline in financial income. That is only item below the line which is the declined for the reasons I explained.

Bharat Shah:

Exactly that was the point I was making. Presumption all along bodes, Ind-AS would result into interest cost looking higher and depreciation looking higher I completely understand, but presumption was when we talk about sanctity of the operating profitability. But presumption was about how it was done earlier whereby without Ind-AS effect what the margins would have looked like. And adjusted margins we typically, finally for later pretext level, would be maintain in parity. Therefore, given the fact that Ind-AS impact is pushed in interest in depreciation cost materially which is an adjustment on debt that means as an operating level the fall is much worth than what is prima facie what we were seeking to preserve?

Chandrasekar:

There is no doubt decline but if you look at Ind-AS it is only impacted by about YTD nine months about 20 million. It is not significant, it is only between the lines but yes, your point is



taken. So, we will have to attain those kinds of volumes to be able to support the investments that we are making but we cannot keep the investment in abeyance only because of margins.

Moderator: Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Kind of follow up on the previous question now on the call you mentioned that we will target to go back to our usual margins zone up 20% to 22%, now again on the call you also mentioned that the current time side and complete landscape has materially changed and you referred to 2008 as well, so let us say if there is a hypothetical trade off between market share gain versus margins, our business plan will be centred around margins revival or growth revival?

Chandra Sekhar: Market share is something which will always precede any other option available to us. That does not mean that we will let the margins go down beyond a threshold - while we will keep eyes on the margins but market share is something which will always be priority for us.

Tejas Shah: But the earlier threshold was also keeping earlier competitive landscape and earlier growth in mind, now at 19%. Also if I add, with your royalty perhaps at 24% you are one of the most profitable retailers of background, so the question is actually why to go on that path of margin guidance and or the margin adherence rather than growths revival?

Vedji Ticku: I am sorry I am not able to comprehend exactly what you are trying to ask?

Tejas Shah: The point is for example let us say the growth revival needs margins to be sacrificed at this level will we actually choose that strategy or will we strive to revive regain margins also?

Vedji Ticku: That something what we have done to some extent, not as a plan but we have kept investing in for future because we know that we have a huge headroom and then there is a huge market out there. What is happening is at moment it could be last six months, nine months or a year but beyond that we do not go back than where we were. So, for that we have to be ready and technology is one of the biggest enablers that we have been investing in very heavily this year, followed by people. We have invested in many areas which we were not in the past.

Tejas Shah: Sure, and Sir if I may squeeze on last one. Sir, the overheads and the investment that you spoke about I understand correctly from Q1 itself and all the factors which are gross margins rivals were actually positive, realisation makes and even cost you said there was no diversions there also, so why there is an impact straight in this quarter and not earlier quarters?

Chandrasekar: There have been specific reasons with respect to this quarter because we have further invested in the channel and some of the costs like advertisement are more in this quarter than it was before but on a full year basis, we restrict the budget to a certain percentage of revenues. A very narrow view of one quarter will not give the full picture because everything is not linear in that sense.



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Moderator: Thank you. The next question is from the line of Suvarna Joshi from Axis Securities. Please go ahead.

Suvarna Joshi: Most of my questions are answered. Just have two questions. One, while we have talked that we are making all the right kind of investments that are required to grow our business and we would just wait for macroeconomic backdrop to improve and support the growth. In that context, what would be the lead indicators that would suggest that the growth is likely turning around for the industry and specifically for Page, that was my first question. The second question, you mentioned in one of the answers to an earlier participant that the distribution has been growing at about 4% on an annual basis, so while we are largely a metro focussed kind of distribution setup, are we also looking to expand specifically in the women ware in the Tier 2, Tier 3 cities or we still have lot of headroom to grow in the metro at itself? So, these are two questions.

Vedji Ticku: Suvarna, firstly I will start with your second question. I am not sure how you got that we are metro centric distribution setup. We currently reach around 2,600 cities and towns through our distribution across the country. We cater to metros, Tier 1, Tier 2 and Tier 3 and we also have done some inroads of the rural side of the business for all verticals of business which is men's innerwear, women's innerwear, and athleisure business. But having said that asking about the scope, we have huge headroom because our penetration levels are still are very small. Since you asked about the women's business our understanding is that in the target audience if we look at around basically 15 Crore men and women out of that 50% is 7.5 Crore women, we still cater to only around 5% to 6% at penetration. The number of pieces which can be sold to these women are still around 5% to 6% penetration of that number. So yes, huge headroom. There is a lot of work happening on the women side of the business in terms of product. I have explained it even earlier about how we are launching lot of products both in the innerwear and the athleisure side of the business on the business. So, the answer to your question, yes, we have huge headroom and a long way to go on the women side of the business. Question number one was cues - I think the volume growth will be the right cue for us to ensure that the things are back. We are keeping our fingers crossed, hoping some ground reality to change, helping us to open up because currently what we are understanding the tertiary sales are something which are very sluggish and the walk-ins to the stores are still wanted.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Chandrasekar for closing comments.

Chandrasekar: Thank you very much for all the interesting questions. Have a great day.

Moderator: Thank you. Ladies and gentlemen on behalf of Page Industries Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.



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(This document has been edited for readability purpose)

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