



20<sup>th</sup> November 2020

The Secretary  
Corporate Relationship Dept.  
The Bombay Stock Exchange  
1<sup>st</sup> 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 30<sup>th</sup> September 2020.

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  
Q2 FY2021 Results Conference Call

November 12, 2020



**ANALYST: MR. ANAND SHAH – AXIS CAPITAL**

**MR. GAURAV JOGANI - AXIS CAPITAL**

**MANAGEMENT: MR. SUNDER GENOMAL - MANAGING DIRECTOR**

**MR. VEDJI TICKU – CHIEF EXECUTIVE OFFICER**

**MR. K CHANDRASEKAR –CHIEF FINANCIAL OFFICER**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Page Industries Limited Q2 FY2021 Results Conference Call hosted by Axis Capital 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anand Shah from Axis Capital. Thank you and over to you Sir!

**Anand Shah:** On behalf of Axis Capital, I welcome you all to the Page Industries Q2 FY2021 Earnings Conference Call. We have with us the senior management of the team represented by Mr. Sunder Genomal, Managing Director; Mr. Vedji Ticku, CEO; and Mr. K. Chandrasekar, CFO. So, I would just like to hand over the call to Mr. Genomal for opening remarks. Thanks, and over to you, Sir.

**Sunder Genomal:** Thank you, Anand, and good afternoon, everyone, and thank you all for attending this call. We have had a very heartwarming experience when the markets gradually started to open after the series of lockdown. Our distributors and retailers along with the sales team have always had tremendous respect and confidence for the Jockey brand and the Jockey business. But the message they keep sending us now is that they respect, and the confidence levels have increased multifold, as they witnessed the resilience and strength of the brand during what is possibly the worst-case market scenario ever in the country. Even during this challenging market, we have continued to add retail partners across MBOs and, of course, EBOs. August was a turnaround month for us, where we just about reached last year's level of sales. September has seen double-digit growth over last year. And Q3 is looking even more encouraging. We believe that the India consumption growth story is very much intact. Our aspiration for a \$1 billion top line in five years remains intact. As leaders by far in our categories of innerwear and athleisure and with our strengths, financial or otherwise, we believe that as our target market continues to grow the platform to take full advantage of this potential. So, we will continue with our approach, which is to keep outperforming and out doing ourselves in all aspects of the business and continue to capitalize and take full advantage of all our inherent strengths. We understand that given the size of the potential market, this is a marathon and not a sprint. To make ourselves future ready, we need to continue to make investments in digital and business transformation to strengthen efficiencies and hence, automation, speed to market. Some of you will recall, in past meetings, we talk about sales force automation, warehouse management systems, distributor management systems, ARS; Auto replenishment system, and more recently, assortment generators, having a separate MIS sell for sales analytics, the JBA supply chain



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planning tool, this is a very powerful tool; and soon, business process reengineering. So all these things are going to happen and we will continue to strengthen management as well with the best talent. And of course, we will continue to create newness, development, marketing, brand building and in part, because of the experience during this pandemic, there is renewed focus on becoming more efficient and optimal in all aspects, in every department, while at the same time taking care to eliminate any wasteful spend or activity. I have to say that we are blessed to have an amazing team and amazing partners in the front end and the back end. That is our channel partners, our vendors, our suppliers, franchisees and so on, who have all performed remarkably, showing their metal during the toughest of times. From our sales team and who worked determinedly and walked the extra mile to achieve their goals, our associates on the shop floors who work industriously and tirelessly to catch up with the demand, while having to wear facemasks and face shields. I am proud of the great values, the culture, the fashion, commitment, loyalty and dedication ingrained in every member of our team. A culture founded on empathy and mutual respect for everyone, not just as an employee but as a member of the family. This culture manifests itself in the kind of products that we deliver, resulting in great consumer experience, respect and love for the brand. Thank you all again. And I now hand over to Vedji for the Q2 update.

**Vedji Ticku:**

Thank you, Sir. Thank you for the opening remarks and good evening everyone and let me take this opportunity to wish everybody Happy Diwali in advance. Coming to the Q2 performance. The revenue for the Q2, though we came a long way, they grew by around 4.5%, mainly due to July being below normal. We have had a very strong sequential growth, about 160% growth in revenue from the previous quarter. This was aided by relaxation in the lockdowns across the country and increasing propensity for online shopping. Our volumes fell short by 13.6% for the quarter as compared to Q2 of financial year 2020, largely due to low volumes in the month of July. Retail partners across all channels continue to open during this quarter. Today, we have more than 95% of our MBOs fully functional. 100% of our EBOs have opened now. In fact, the good news is we have opened 60 new EBOs during this quarter. And more than 90% of our large-format stores have also reopened. The sales trend from June onwards is on an improving trajectory, and we are quite hopeful for full recovery by Q4 of this year, financial year 2021. We have witnessed a good consecutive growth across all product categories and sales channels in August and September, along with the continued greater demand on the e-commerce side of the business and athleisure product as a category. Our manufacturing and warehousing facilities have returned to pre-COVID levels. As I had said in the previous earning call, we have retained all our workers and paid full wages to them through the entire lockdown,



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resulting in a high attendance of more than 95% as of date. On the marketing side, our branding efforts continue across all multiple channels, including online media and point of sale. Digital marketing has been an area of focus with e-commerce business showing a lot of promise and the recent spike due to the COVID. On the kidswear business, it continues to be our focus area, with very encouraging customer acceptance and feedback. Out of the 60 EBO stores which we opened in this quarter, 10 of them were the junior EBOs, and all of them have started doing well, taking the total number of EBOs on the junior side 15. We have also appointed all the distributors for the junior business across 50 cities as phase 1. We will be shortly moving to other cities as a part of phase 2. We continue to work on expanding our width and breadth within existing market geographies as well as strengthening our distribution in tier 4 cities and rural areas. We see a great potential in these markets, and we are strengthening our distribution network in phased manner in these opportunity markets. Jockey currently is present in 2,870 plus cities and towns across the country. We will, as usual continue our focused approach on all our core business verticals of men's innerwear, women's innerwear, athleisure for both men and women and socks and towel. And we are quite confident of maintaining growth going forward. With that, I will now request our CFO, Mr. Chandrasekar, to take you through the financial highlights. Thank you.

**K. Chandrasekar:**

Thank you, Vedji. I welcome you all to the Q2 Page earnings call and I wish you all a very happy and prosperous Diwali and festive season. Q2 has been good for us. So, it has been a very good bounce back in Q2, as you have seen in the numbers. And the Q2 revenues have been up by about 160%, at Rs.7,403 million and we are only marginally down by about 4.5% on a year-on-year basis. The revenues for H1 are down by about 36% to Rs.10,251 million because of Q1, as you know.

The Q2 PAT is up by almost 380% to Rs.1,109 million, which is almost at par with the Q2 of last year, but for the tax rate change of 25% retrospectively last year in Q2, we would be almost at par with the Q2 of last year. So, it is a very strong bounce bank. The PAT margin also at 15% is one of the best we have in the past few years. And that is because we have implemented a very tight opex control with zero based and as MD was saying, it is based on need to spend and being frugal about the times we're living in.

As far as the first half, the PAT has become positive, we have come to Rs. 713 million. Our EBITDA margins are strong. Similarly, also the gross margins around 40% we have delivered in all the normal quarters in the past and more importantly, if you have seen the earnings presentation, some of you may have gone through it, the cash and cash equivalent has increased to almost nearly 488% to Rs.4,013 million and again, this is because of pretty



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efficient working capital management and opex controls. While also, at the same time, supporting all the business ecosystem, paying all the vendors ahead of time if required. So, we have done a pretty good work in the past two quarters to get here and our balance sheet continues to be net debt free. And we, again, have not borrowed any funds in the first two quarters. Net working capital is Rs.5,361 million, because the inventories have come down from a level of almost Rs.7,186 Crores at March, we had Rs.7,186 million, in September. So, these are the financial highlights and we can move on to the Q&A section, please.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

**Bhargav Buddhadev:** Sir, my first question is that is it possible to share trends in secondary sales? How have they been and, has there been any sales loss on account of any supply constraints during the quarter?

**Vedji Ticku:** Yes, in the earlier part of the quarter, we had some constraints. But coming towards the end of the quarter and now going forward into the third quarter, we are fine. Because, as I said in my opening remarks that 95% of our people are back and our factories are running in full force. So that is not a problem. As far as secondaries as concerned, it has been one of the best years for secondaries in that sense. Our secondaries have been ahead of our primaries all these months of the quarter.

**Bhargav Buddhadev:** Okay. Sir just want to clarify one thing. Did I hear properly that you said FY2021 will end up flat over FY2020, are you looking at full recovery? Is it what you said?

**Vedji Ticku:** No. What I meant was from Q1, where we were almost 25% of the quarter, and we have moved to the situation, we are saying by the end of Q4, we should be coming back to the normalcy and trying to match the numbers of last year. But whatever has been lost cannot be recovered, obviously.

**Bhargav Buddhadev:** Okay and lastly, Sir, these yarn prices have started rising again. We are hearing that they are almost up 10% to 12% in a month. So, are we looking at taking any price hikes in order to pass on these yarn prices?

**Vedji Ticku:** No. we generally take care of any kind of surges in advance, and we have already done what we must do for the year. This is also because this is the old crop. The new crop is



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around the corner and as soon as the new crop comes towards the December, January, the prices will soften again. This is a normal, which happens almost every year.

**Bhargav Buddhadev:** Okay and lastly, on the kids front, is it possible to share how many outlets are we now present? We have total of about 67,000 outlets. What is the coverage area for juniors? And that will be my last question.

**Vedji Ticku:** Yes. We are closely, touching close to around 8,000 stores for the kids now all over. We have opened 15 EBOs for the kids as well during this time.

**Moderator:** Thank you much. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

**Aditya Soman:** Good evening and thanks to your time. So firstly, in terms of the guidance of sort of normal sales by Q4, I would have assumed that we had reached much higher sales numbers given that we are already at double-digit growth in September. Is this because there was an evidence of pent-up demand that came through in September, given that we had, obviously, a meaningful decline in Q1? And then on a related question, also were the September October numbers skewed because of the supply constraints earlier in the quarter?

**Vedji Ticku:** So, as I said earlier, the earlier part of the quarter, it was still sort of reeling under COVID, and there were still many large cities, which were under lockdown. And as I also said in my earlier, reply in the earlier questions, we are also sort of getting our fleet right in terms of production in the month of June and July. And post that, August and September, it is only improving. And the sales are continuously on a rising trajectory from the month of August. And we are also seeing that going with the same pattern into the festive season. So, it is not the pent-up demand. It's the actual demand, which was there and got subdued because of obvious reasons.

**Aditya Soman:** No, I understand that. I think my question was, if a consumer was looking to buy a pair of innerwear or athleisure in May and he could not buy it then, I am assuming that, that same customer, you have not lost the customers. The customers come back and made that purchase and whenever the stores were opened in July, August, September. Is that why you are pushing your normalization to Q4? Why not have double-digit growth in Q3 itself?

**Vedji Ticku:** Yes, sure, why not. That is what I was trying to tell you because the trajectory of the sales has been only upwards post August. I cannot tell you the numbers for the third quarter, but the trajectory is still on the upstream. So probably what you are saying is possible.



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**Aditya Soman:** All right. I understand very clear. And secondly, in terms of as you indicated that there is about 13.5% volume decline, and the sales decline was about 4.5%. Now this gap, is it largely mix because you sold more athleisure? Or is there an element of pricing in that as well?

**Vedji Ticku:** So, it was a mix within the innerwear also because we also have premium and super premium products in innerwear. So, there is a mix change there, as well as athleisure. This year, athleisure has taken a front seat, and we have got pretty good demand on the athleisure side of the business.

**Aditya Soman:** And just a quick follow-up on that. So, any sense you can give us on what the growth for athleisure has been, say, in H1 or Q2, whichever way you want?

**Vedji Ticku:** It is a double-digit growth. We do not talk about the actual percentages, but it is a double-digit growth for the athleisure business.

**Moderator:** Thank you. Next question is from the line of Nihal Jham from Edelweiss. Please go ahead.

**Nihal Jham:** Sir couple of questions from my side. First is on our cost-saving initiatives, if I look at how the spend has moved to last year, there has been approximately a Rs.10 Crores reduction in other manufacturing expenses. So, would it be right to assume that most of the incremental Rs.30 Crores reduction is driven by sales and marketing? If you could just elaborate a little more on that?

**K. Chandrasekar:** Nihal, thanks for the question. There is a lot of work which has gone into the manufacturing overhead, mainly in terms of the factory overhead and also selling and marketing, we did spend a little less on the advertisement by about Rs.172 million this quarter as compared with last quarter. Overall, there has been a reduction of about Rs.450 million, if I take all the line items of selling, corporate and manufacturing. So, the reductions have been across.

**Nihal Jham:** Sure, Sir. I think that is helpful. My second question, Sir, was on the expansion part. As I see on the EBO side, you mentioned you have added 60 EBOs in this quarter. Just on the MBO account, that's been consolidated at around 67,000. So, I just wanted to understand that on the MBO side, is it that we look at adding more MBOs after this quarter? Or that number you think will be around the similar trajectory for the remaining part of the year?

**Vedji Ticku:** No. As you know, now we constantly push that number between 5% to 10% year-on-year. So, this year has been a little unusual for us, and we have not been able to open many more





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stores as we would have opened by this time. But I think now Q3 and Q4, we should be opening more stores on that side. And a 4% to 5% increase in stores is something which is normal, and we will continue doing that.

**Nihal Jham:** Sure. And just very quickly, you mentioned about the secondary sales trends. Is it possible that you have a visibility of the tertiary sales also and if those numbers are like the numbers we are tracking?

**Vedji Ticku:** So, we have visibility of tertiary sales in our own EBOs. So, we do not have it for the MBOs. So yes, it is keeping pace. The tertiary and the secondary sales have been quite buoyant starting August onwards.

**Moderator:** Thank you. The next question is from the line of Arnav Mitra from Crédit Suisse. Please go ahead.

**Arnav Mitra:** My first question was on the e-commerce part of the business. What is the current salience that e-commerce is having on your business? Are you seeing the traction continuing despite the lockdown kind of now fully gone? And any changes made on your side in terms of being able to service the demand better, get the entire range and reduce the lead times?

**Vedji Ticku:** Yes, Arnav. So, I think that's the silver lining of this year, which has pushed us so badly on all other fronts. E-commerce is one area where it is really helped the business on that side. As I said in my previous call, there was a certain amount of struggle in the previous quarter because the demand on that side was so high and where we had to really work on our infrastructure. It took us around 1, 1.5 months to put up the relevant and required infra for the new demand. And we have seen now that the average demand has gone up by 2x, though initially it was almost 3, 3.5x of last year. So, it seems to have settled down at around 2, 2.5x of the average we used to do on the e-commerce side. And as I said, e-commerce, we have our own store, which is jockey.in. And then we do outright and then we also do marketplace. So, the outright and the marketplace also has seen a huge growth during this time. So, we see this as a positive welcome change. And so, we are also gearing up the infrastructure further to sort of offset any demand increase going forward.

**Arnav Mitra:** Sure. And my second question was on margins. So other than the Rs.17 Crores reduction in ad spend, which possibly could come back as the festive season begins and business normalizes, would you say that the rest of the cost savings or the margin expansion and the lower cost that is sustainable, and therefore, you are now going to be consistently in that historical margin band of 21%, 22% which you are still couple of years back?



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**K. Chandrasekar:** Yes, that is an expectation and the work that we are putting in and we are not increasing on the current spend without that bringing additional revenues or cost savings. And secondly, in terms of whether the cost, the margins will sustain, the answer is yes. We already have shown good margins in Q2. And going forward, there will be some increase in spend on advertisement. Secondly, on the digital transformation hit back a bit this year. So those investments will come, but they're all productive sort of investments into the future of this business.

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

**Avi Mehta:** Sir, what you had said is, last quarter, it said that we were impacted more versus peers because of our urban salience, almost 60% comes from the top cities. Given that what we understand is urban continues to be under pressure, has that trend continued? Or there has been some offsetting force, which has kind of helped to counter that?

**Vedji Ticku:** No, we have come a long way since the Q1, while there are certain pockets in the metros. What I said last time is close to around 38, 40 cities, which gives us that number. And obviously, the bigger number were coming from the metros. And now most of the metros are back, barring Bombay, which is still not where it should be. But besides that, most of the metros are back, including Chennai, now. So, we have come a long way since that, Avi.

**Avi Mehta:** Okay. So that no longer remains a headwind

**Vedji Ticku:** No. It is still slightly lower, but it is not something which would impact us anymore.

**Avi Mehta:** Perfect, Sir and the other there was a provision that we had created for slow-moving inventory in the first quarter. Have we written that back in this quarter by any chance or any part of it? And related, if you could just explain the slide on the gross margin. What all goes into the other expense, other manufacturing costs? And how do we look at that?

**K. Chandrasekar:** Yes, Avi, good question. Slow-moving inventory still continues. It has not come down greatly. But as we go into Q3 and Q4, all the slow-moving inventory will get sold. So, it will come down. As far as the gross margin based on some of the discussions in the last quarter, because people tend to contribution in this country. Other manufacturing costs has wages, it has all the factory overhead, like power and fuel and all those things, which you need to run a manufacturing unit. So, we typically only look at gross profit margin. And I



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have been saying that we have been in the band of 39% to 40% all through history. And so that has come back. First quarter, as you know, was an exception.

**Avi Mehta:** Perfect, Sir and if I may, just a bookkeeping question, sir. Was there a price increase we had indicated that was taken in few products? Any weighted average price increase that you could share? And the other income, do you expect that to, it is more a timing impact? Because your cash levels have gone up very sharply. Congratulations with that.

**K. Chandrasekar:** There was not any significant price increase. It was only an adjustment for some of the underpriced products. Vedji will explain to you that. And what was your second one?

**Avi Mehta:** The other income has dropped Q-o-Q despite cash...

**K. Chandrasekar:** The other income this quarter, we did not get subsidies what we got in the Q2 of last year. So that is more a timing issue. So, it is not a significant difference to the bottom line anyways.

**Avi Mehta:** The mispricing, Vedji, what was that?

**Vedji Ticku:** Yes. So Avi, as I said, even in the last meeting, see, we generally work on weighted average EBITDAs. So, there were these few products which we felt were way below the minimum expected EBITDAs. And those are the ones which we had touched somewhere in the month of June. And it was a few products here and there across all the ranges. So, it's not the regular one that we chose to do, like most of our products will get touched once in a year. So, this was more from the point that they had to have basic EBITDA to be in the reckoning. So those were touched. So, it was a very small increase this year.

**Moderator:** Thank you. We move to the next question from the line of Sameer Gupta from India Infoline. Please go ahead.

**Sameer Gupta:** Thanks for taking my question. I have just two questions, Sir. So, we are seeing double-digit sales growth in September and that trend has continued in October. Just wanted a little more color on this, sir, because even before COVID, we have not seen such strong demand tailwind. So, is it also to do with people spending more time at home and there is a convergence from formal wear to athleisure, people are spending more on athleisure versus formal? And when this trend reverses, as when people start to go back to offices, this trend should also normalize. Any color on that, maybe segment-wise you can share? Because you



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said athleisure has grown double digits for the quarter. That would mean that double-digit declines in innerwear for you. Is that understanding correct?

**Vedji Ticku:**

No. We cannot, as a company, have a double-digit growth, if only one of our verticals or business grows with double digits. So, everything must grow overall in a double-digit percentage basis. So, having said that, both our innerwear as well as outerwear have grown during this period. Athleisure, yes, it is grown at a higher percentage, for sure. Coming to the second part of your question, whether this is a trend, which is just for some time and then the work from home finishes, we do not think so, Sameer because it is also created a lot of trials. There are a lot of people who have tried the Jockey products for the first time. And as we know from our experience from the past, trying the Jockey product, whether it is innerwear and outerwear, we started way back with innerwear, and the stickiness to our products is very, very high. So once people try and they see actually the quality of the product and they see that the kind of value for money they are getting on their purchase, we see that this trend is going to only go bigger and because this market is also ballooning and growing year-on-year. So, I think this was the silver line was that we were able to create many more trials during this year.

**Sameer Gupta:**

Got it, Sir. That is very helpful. Just another question, and this is related to your gross margin calculated on the cost of goods sold that you report in your results. So, I see that from Q1 to Q2, there is a sharp increase in my gross margin, and that was largely a drop in Q1 that we had seen. And, we had taken an inventory write-down of around Rs.107 million in Q1. So, in Q2, is the improvement partly because there has been any kind of reversal in this provision or if not, then what is driving this Q-o-Q margin improvement?

**K. Chandrasekar:**

There is no reversal in provision for inventory or anything. It is a purely operational. The COGS which we report and the gross margin and contribution as it appears in between the goods sold and the revenue. So, there is no unusual impact in the margin of this quarter.

**Sameer Gupta:**

I am comparing, Sir, versus Q1. So...

**K. Chandrasekar:**

You cannot compare first quarter, because first quarter is unusual and the labor cost, everything is under-absorbed. So that reflects in your contribution and gross profit margins. The first quarter is not comparable.

**Sameer Gupta:**

And Sir, as this new crop comes in, this input prices should see some more softening. And to that extent, our margin should see some more increase from this level. Is that understanding correct?



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**K. Chandrasekar:** We have seen Q1 about minus 3% overall weighted average cost improvement in the raw material. We did not buy much in Q1 because of the lower sales and we had inventory. So, we did not capitalize on that. When we went into Q2, we had about 0.53% increase overall on a weighted average based on the consumption mix that we do.. If at all, there is an improvement, yes, it would hit, it would improve the P&L, yes.

**Moderator:** Thank you. The next question is from the line of Mihir Jhaveri from Avendus Capital. Please go ahead.

**Mihir Jhaveri:** Thank you for the opportunity. Just one clarification, Sir, you said that basically, again, I am repeating that, the September has been double digit. So basically, is it fair that if the run rate has been much better than you can see in the second half, we can see a decent double-digit growth. Is it fair to assume that way? Was that the kind of a guidance which you were trying to give?

**Vedji Ticku:** what I was trying to say is the trajectory starting the month of August has been on an upswing, and it has continued throughout. And especially with the festive season around, it continues to be there. So, we are quite hopeful that we could do much better going forward.

**Mihir Jhaveri:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

**Bharat Shah:** I do not have a question for this quarter, but a little broader discussion. So as an observer and invested in Page Industries for more than 10 or 11 years, growth has relatedly been easy for Page, except some occasional periods of editing. But generally, it is moving smooth and easy. Prior to pandemic, if we see the previous two years, we have been mired with number of challenges, maybe some external, some internal. Externally things have been softer for the economy. Internally, maybe with the relentless growth, we might have been a bit more self-satisfied. Since in this two-year period, what I have observed is that there has been a significant effort to improve the character of the business to prepare for a capacity of the business to improve going ahead. So, technology initiative, business transformation, product portfolio revamping, people hiring, et cetera, and the design capabilities. Can we say today with all that has happened plus maybe whatever the internal issues that we may have needed to deal with, are we saying that we have crossed the hump and, hopefully, in some time, we should be ready to resume more akin to both Page we have seen earlier in terms of the growth? Because eventually, growth is the way of life. But I am delighted



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about two things. In these two years of tough time, one, we maintained the discipline of the sales. We did not surrender to cheap sales by easy credit and all those things, which are easy to do. So, we kept it tight. And I am really, really delighted. And secondly, that we kept the discipline on raising the cash flow and the working capital tightly. So, are we going forward over three to five years, finally, the difficult phases behind?

**Vedji Ticku,**

Mr. Bharat Shah, thank you very much for your observations. We know that you have been very closely following our company, and you have been our shareholder for a long time. While you know what happened in last couple of years, and we have discussed on these programs many a times, I would say yes. I think we have come a long way. So, these two years also have helped us to put a lot of things and a lot of new interventions put together to help us to grow towards that vision of one billion in the next four to five years. We strongly believe that we are in the right place now to go forward, especially these first quarter where all of us had ample time to put our heads together and plan first this difficult year and then the way forward. I think we are all poised and ready to take the big leap forward, Mr. Bharat Shah.

**Bharat Shah:**

Okay. So, which means the future is looking superior than these two difficult past years. I am not particularly concerned about this pandemic period. That is unusual. So that can be left out from the calculation. But the future can we believe that the market much superior than these two years maybe?

**Vedji Ticku:**

I would very strongly view that, Sir

**Moderator:**

Thank you. The next question is from the line of Akhil Parekh from Elara Capital. Please go ahead.

**Akhil Parekh:**

Many congratulations to the management for a very good set of numbers. I just have two specific questions to Mr. Genomal. One is, you have mentioned that our internal target is to reach USD 1 billion sales target. Any external or any internal steps that we are taking to accelerate the sales growth rate? That is my first question. And second is on the audit, which was taking place regarding the Norges Bank issue. Any update on that would be very helpful.

**Sunder Genomal:**

Well, yes, sure. So, in terms of what we are doing to accelerate the growth rate, that is something that is ongoing. There has been no relenting. We do not leave any stone unturned, whether it is innovating or refreshing our products, our marketing, our visual merchandising, strengthening our sales force. But all these are ongoing. That is unrelenting.



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We never stopped doing those things. In fact, all our time is consumed on how we can outperform and outdo ourselves in every respect. So that is something that is always ongoing. And as I said, we are very confident about the India growth story. We know that is very much intact. We, of course, have this \$1 billion goal that we are hopeful that we will be able to reach. It is not a big ask from our calculations in terms of what we feel the market size. And I think if we continue to strengthen and take full advantage of the platform that we are in, I think we are in a sweet spot to take advantage of that potential. So, all these things I mentioned in my opening remarks are things that we've been doing, we are continuing to do. That is important to remember It is not like we are just starting now because of COVID. These are things that we have always been doing. But we keep on refreshing and reinventing ourselves over the years. Our strategy remains steadfast to our strategies. But obviously, they continue to evolve. But the essence remains the same. Our fundamentals are very, very strong in the back end and the front end. It is something that we are very proud about. And we are going to continue doing all that. No let up and no stone will be left unturned to continue trying to accelerate our growth.

On the other question, the background is, just to give you a perspective, we have about 15 manufacturing and warehousing locations employing around 17,000 people. The issue that you referred to by the council of FX Norway pertains to one of our units in Bangalore, where we employ approximately 1,000 people. And these allegations were made in 2018 by a handful of disgruntled employees to the council. So that is long and short of it of what happened. So, a few weeks back, we have engaged with the council. We have very cordial meetings with them, in fact. And we have provided them very objective point-by-point evidence, which we believe flatly disposes the allegations of the report because we know no such things happened, what was alleged. So, the council has appreciated our response, and they've confirmed that as per their policy for reassessment, because we ask for a reassessment, that they would have to do an independent audit of the facilities themselves at the earliest possible time. So, we welcome that because we wanted them to see themselves what we are all about and not listen to some third-party allegations. And so, for that permitting, they have said that probably around middle of next year is when they hope that they would be able to come and do a reassessment. And we, in fact, told them to try and do more than one, do two or three factories to get a flavor of what our policies and our systems are like. We are hopeful that after they do that, it will be a positive outcome, and that will happen after that reassessment. Meanwhile, you would have heard that WRAP, which is Worldwide Responsible Accredited Production, headquartered in U.S.A., has conducted a very rigorous inspection of that unit referred to in the councilors report, and in the month of October, on the October 20, 2020 or October 21, 2020, October 22, 2020. And they are very



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satisfied with the situation of the unit. They investigated point by point all the allegations made by this handful of employees to the council by interviewing quite several people, close to 100 people, picked at random, sampled from various departments. And they have kind of indicated to us, they try to dig and try to get information, but that was not coming out. All those allegations, none of those allegations was coming out. So basically, the truth has prevailed. And in fact we are expecting certification of compliance for that unit from them in the coming weeks, which we are going to post in our website.

**Moderator:** Thank you. The next question is from the line of Ayaz Motiwala from Nivalis Partners. Please go ahead.

**Ayaz:** Sir, you have had a very detailed presentation that you put out and you have been putting it out for a while. I would like to get the breakup of your revenue across men, women, kids and athleisure in your core innerwear business, if you can share that. And my second question is linked to dress breakups?

**Vedji Ticku:** We used to do this earlier, around 2, 2.5 years now. We have stopped giving this breakup for obvious reasons because this was sort of not helping us but helping a lot of people who are trying to compete with us. So, we are not giving these breakup details anymore. Sorry about that.

**Ayaz:** Sure. No. The reason I asked that, and as Mr. Genomal also has brought out, that you are ready for the opportunity. And in your presentation, you have bought out the gross market opportunity across each of these 4 sorts of verticals, which talks of an opportunity size of probably a Rs.1 lakh crore plus market. My focus is only on the women innerwear side of the business, where you opened some exclusive outlets, and that market is obviously much larger, as you pointed out in your presentation. So, my question to you, sir, is as we reflect on the development on online and your EBO experience, do you think you have found a formula to be able to crack open the women innerwear market, which from the past numbers for you has a much lower contribution, while the market size is much larger? And if you can expound on that, please?

**Vedji Ticku:** The points you've brought in are correct. The woman market is larger in terms of the revenue size and the number of pieces for obvious reasons because there are bras, and bras has also many SKUs in terms of size and cup sizes. And then also the usage of panties is much higher as compared to innerwear in men. We also understand that our penetration levels are quite lower. Our understanding is that while our penetration levels in the segment of market what we cater to, whether it's 19% to 20% on the men's innerwear, it's only 5% to





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6% on the women's innerwear. So yes, you are right, we have a long way to go there. The response from our EBOs, especially the EBOs for women has been very clearly reflecting on the fact that if you have the right products and especially with our value for money proposition, there is a huge market. And so, we have some plans, which I may not be able to open up currently because they are still to be worked upon in terms of execution. So, we have some major plans going forward for the women side of our business because we understand the headroom is very, very large, and we need to do a lot of work on that side. And we are working on it while we are passing this year. We are also working separately on both, while we already have a separate focus on the product side, which is on the back end, we have some plans to create a focus across the vertical coming from starting from the product development to the sales. So, there is some work happening on that. And probably, we'll be having much more faster inroads into this market in the future coming years.

**Ayaz:**

Sir, my last question is just on the new product launches, that is a slide which you put out, slide #18, and they seem to be quite impressive products. And a larger focus, it seems, is on the daywear or athleisure, as it's called. So, is that a big segment for your business right now and growing very rapidly?

**Vedji Ticku:**

Yes. That is what I said earlier. It is relatively the largest like after women's innerwear, this is the second largest in terms of percentage contribution. So, it is a large business for us. And we see that there is a huge scope because this market is growing very fast, especially with all the gym wear and the yoga wear which we are working on right now and the kind of ranges which we have. It is a mix of athletics and leisure. So, we are focusing on both. And these are very core products, and they do not go out of fashion. We also have some ranges on the performance side, which is called Move, which is in the markets and doing well. These products are something what you see, the Nike Dri-FITs. These are comparable products at probably 60% of the prices. And they are available in the market, doing well for us. So, there is a huge scope there. And I think this year, as I said earlier, helped us to create a lot of new trials, and we are very bullish about this side of the business.

**Moderator:**

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

**Ankit Kedia:**

Sir, in the initial remarks, you mentioned around the digital transformation. Can you emphasize more details, how will that help us at the back end? Because on the assortment generator, I believe that you're implementing JBA also by December. And, at the warehousing, we are now we are doing full fulfillment with DHL. So, some input could be helpful.



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**Vedji Ticku:**

So, all the automation, what we have been working on, so the whole idea is to create a seamless supply chain, which starts from the basic understanding of what we need to sell and then eventually having those products ready in our warehouse before the day we want to sell them. So, to have this whole process in place, as Mr. Genomal said in his opening remarks, so JDA is one of the tools, which will help us to plan through all this, which is basically creating the demand tool and then eventually actually putting it into the SAP for having the production done for the demand created by this tool. Then going forward, we have the distributor software's where the DMS, the distribution management software. So once the goods leave our warehouses and reach the distributor management software, the whole idea there is that we have a very clear vision about understanding about what the stock is at the distributor, which is further linked to the ARS, which is the automatic replenishment system, which basically joins the distributor stocks with the paid stocks so that as and when it comes below a certain level or the tank which has been predefined, there is an automatic order which is raised from the distributor and supplied from the Page warehouse. And for the tertiary sale, there is SFA, which is a Sales Force Automation, which is helping us to get the orders from the market and to be built in the real time. So earlier, in the past era, all the orders will be collected by the day end and then the next day the billing would have happened. So today, all the orders which come before 2:00, get almost delivered on the same day by the evening. So, the whole idea is to basically create a supply chain where we can see that there is zero sales loss and the consumer gets what they want, whether it's in MBO, EBO or a LFS store, they are all getting linked with this technology to help us to have this seamless supply chain.

**Ankit Kedia:**

Excellent. That is helpful, Sir. My second question is on your capex part. With the \$1 billion revenue plan, what kind of capex would we need over next two to three years? And can we expect the Anantapur facility to come in Q4 on stream?

**Vedji Ticku:**

So, I will leave the second part of the question for our CFO. So, we are going in with our Orissa plant first. We will be starting that very soon. The activity is there. It got a little delayed because of the COVID. So that is something which we are going to work on. It is a very large facility, which we are going to create there in Orissa. It is a place near Bhubaneswar. And then eventually, we may come back to the Anantapur. That is not decided yet.

**K. Chandrasekar:**

Yes. Thanks, Vedji. So far, this year, we have not planned any specific capacity expansion exercise. Still, we will be spending close to about Rs.730 million this year, though in the first half we've only spent about Rs.80 million. So, the rest will come in the next two quarters. When we are going into next year, we have not firmed up the plans for FY2022



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capex yet. But if there is capacity expansion, it is roughly above Rs.2,000 million, including all the normal capex and the capacity expansion and the digital transformation put together.

**Ankit Kedia:** Sir, just a follow-up. What is the logic of going to Orissa? We have always been next to Karnataka, in and around that region. So why did we select Orissa now?

**Vedji Ticku:** So, we also don't want to have all eggs in one basket. That is not everything in one state because when we are growing, we would have to reach the other parts of the country as well. In fact, going forward, we may have even warehouses in different parts of the country, especially something in the North, to reach the consumers faster because everything is getting done from one place, from a long-term perspective and risk management to have presence in a couple of states, predominantly from the risk management point of view.

**Ankit Kedia:** And Sir, my last question is on the women's side of the business. Can you tell us what is the total retail reach we have in women compared to men's in terms of the stores?

**Vedji Ticku:** It is close to around 40% of our total number of stores, or 45% to be precise.

**Moderator:** Thank you. Ladies and gentlemen, we apologize. Due to time constraint, that was the last question. I now hand the conference over to Mr. Chandrasekar for his closing comments. Over to you, Sir.

**K. Chandrasekar:** Thanks for attending Page earnings conference. So as always, we continue to learn from you and during this period. We also appreciate all your questions, and thanks for your continued support for Page Industries. Happy Diwali to all of you. Have a great time.

**Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Axis Capital, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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(This document has been edited for readability purpose)



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