



November 16, 2022

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

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

Dear Sir,

Sub: Audio Recording and Transcript of Investor call

We herewith enclosed the transcript of investors call for the financial results for the Quarter ending 30 September 2022.

Audio recording of the investor call is available in the following link:
https://youtu.be/OEaLtDIZ8_4

This is for your information and records.

Thanking you,

Yours truly,
For Page Industries Limited

Murugesh C
Company Secretary



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“Page Industries Limited
Q2 FY2023 Earnings Conference Call”

November 10, 2022



MANAGEMENT: MR. V.S GANESH – MANAGING DIRECTOR– PAGE INDUSTRIES LIMITED
MR. K. CHANDRASEKAR – CHIEF FINANCIAL OFFICER – PAGE INDUSTRIES LIMITED
MR. GAGAN SEHGAL - CHIEF OPERATING OFFICER– PAGE INDUSTRIES LIMITED
MR. RAHUL SHUKLA – PRESIDENT AND CHIEF RETAIL OFFICER - PAGE INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2023 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, please signal the 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. V.S Ganesh, Managing Director of Page Industries Limited. Thank you and over to you Sir!

V.S Ganesh: Thank you so much and good evening everyone. It is a pleasure to talk to you and thank you all for joining for this call today.

An exciting time for us to be in the industry such as ours with an increasing urban population, rapid urbanization, growing aspiration for global brands, shift in organized retail and an increasing awareness for branded innerwear to name a few. It gives branded players like us a huge market to explore and to grow. I am delighted to inform you that we have registered a robust revenue growth, record margins and earnings per share performance added by good growth across all our product categories. We actually have recorded the second-best quarter in our history just behind the Q1 record which we had.

With the demand environment being lukewarm with inflationary pressures abating a recovery in consumption, we are happy to announce that we actually recorded a 7% volume growth if we look at the growth without mask. Overall, the reported growth is 1% but if we look at our core category, our volume has grown 7% and in our core category, the revenue has grown 20% but if we include mask and if we compare then it is a 16% growth.

We continue to intensify our focus on distribution, modern trade, and e-com to drive product strength, increase consume engagement while making substantial progress in the digital led marketplace. Looking ahead despite the volatile macroeconomic environment, we remain very confident in our ability to further build on to the progress made so far and continue drive strong top and bottomline growth. This is made by possible by our incredible team who came together to connect closer to the consumer than any time before.

Let me share quick highlights before CFO details a financial performance for the quarter and for the half year. Our Q2 revenue has grown by 16% year-on-year but shown a degrowth by 6% quarter-on-quarter if you look at the strong Q2 of last year base whereas volumes have grown 1% year-on-year if we look at actually the core category, we have actually grown 7%. On a like-to-like if you compare it has shown a degrowth of 10% quarter-on-quarter.

Coming back to the volumes as I told you without mask it is a 7% growth. As of September-end, we are present in 118,000 MBOs, 1191 EBOs and 2741 LFS. Our channel expansion continues to be line with our growth plans. I am very pleased to share that we have opened our first flagship store in Connaught Place, New Delhi and few days back we opened our 10th EBO in Dubai. We are also now present in Qatar and Maldives.

Delving into the macro environment and its effect, I am pleased to report that the supply chain is back on track despite witnessing major demand shifts. We have invested heavily on mobilizing inventory both to manage the input cost volatility and bring our stock levels to where it should be.

During the quarter, we faced very high inflationary trends which impacted nearly all costs including cotton which is now softening, packaging, fuel, logistics; however, we managed it and we were able to partially reverse the strength and hold onto our margin strength with the calibrated pricing actions, strong budgets and export control measures and optimum use of inventory. Our expansion plans are in line with accelerated sales growth strength and that we have been in the market place and this is supplemented by strengthening our relationship with our supply chain partners.

We will continue to have disproportionate attention on our growing categories namely Athleisure, the women's range and juniors. Our retail expansion has equal focus for tier 3 and 4 towns as we have for metros and tier 1 and 2.

I am delighted to inform you that our Speedo business is back on track and the revenue numbers are very encouraging and it is line with our budgets.

I would like to take this opportunity to thank on your behalf the 28,000 plus associates for the great work they have put in and for showing a very robust performance during the quarter.

I have today Mr. Gagan Sehgal along with me our COO, and Mr. Rahul Shukla – President and Chief Retail Officer, who will be more than happy to answer any questions that you may have in this domain as regards to sales and modern trade. As usual I am joined by Mr. K. Chandrasekar, our CFO who will now give you further insights on our Q2 financial performance.

Let me thank you once again for joining the call today and I pass on to Mr. Chandrasekar. KC!

KC Chandrasekar: Thank you, Mr. Ganesh. Welcome everyone to the call and thanks for being here and your support to Page.

Jumping into the financial performance for the quarter, we had revenues of 12,550 million and that, as Mr. Ganesh explained is the best Q2 in history on the back of the best quarter ever which was previous Q1. The last year Q2 was Rs.10,840 so there is a growth of 16% in value and a degrowth of 6% quarter-on-quarter. The EBITDA is Rs.2379 million and this is a growth of 2% over the last year, Q2 and there is a degrowth of about 20% quarter-on-quarter. EBITDA margins are coming in slightly lower at 19% which compares with 21% year-on-year and 22.2% quarter-on-quarter.

We have not pulled back any of our opex which are contributing to the growth of Jockey brand. We have spent more on opex mainly on advertisement, in building warehousing, capacity, we have spent on digital media advertising and e-com growth has been good so therefore there are attendant commissions so the opex has been more. The gross margins remain to be around 39% so the opex in Q2 has taken the EBITDA to about 19%.

The Q2 PAT is Rs.1621 million which is a growth of 1% year-on-year and a degrowth of about 22%. The PAT margins are 12.9% and it compares with 14.8% year-on-year and the quarter-on-quarter is 15.4%. As I already said the gross margins have been 39% which is generally at par so the pricing decision which we have taken have been vindicated.

As far as the H1 is concerned, these numbers obviously because of weak pandemic Q1 last year, clearly are looking extremely good. H1 revenues are the best again in history Rs.25,963 million which compares to only Rs.15,855 million last year H1, which is a growth of about 64%. Similarly, the EBITDA for H1 is Rs.5357 million compared to Rs.2676 million, a growth of 100%. EBITDA margins are 20.6% for H1 this year as a whole and last year was only 60.9% because of Q1 under absorption. The H1 PAT is Rs.3692 million and it compares with Rs.1714 million only last year H1. This is again a growth of 115.4%.

With respect to cash and cash equivalents, we have come down to about Rs.833 million and this compares with Rs.3144 million as of June 2022. This is because we have continued to invest in inventory and we have gone a little ahead of the curve as far as the inventory is concerned, which should rationalize a bit going forward but we have a healthy inventory and that should support further growth in Q3 and Q4. The inventory actually stood at Rs.13,592 million as against about Rs.11,200 million in June.

Networking capital has not gone up because a lot of it is the build of inventory has come from the cash reserves as well as the payable is more so networking capital was Rs.7880 million which compares with about Rs.7300 million at June.

With that I request that we move to the Q&A session.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity is with regards to get a quote on the volume growth but you mentioned that is x of the core category is 7% but overall is 1% so does it mean that the non-core products sold a bit higher during the pandemic period and this is now normalizing and if that is the case how should we look at the volume growth going ahead?

V.S Ganesh: When we talk about the non-core products, it is actually what we were talking about that is the mask. So the mask numbers were pretty deepened during Q1 and Q2 last year because of the pandemic so now that we are post pandemic it is natural that there is a degrowth and that is what we meant by the non-core. If you look at our core products minus the mask that has shown a growth of 50%, which considering the inflationary pressure and the market environment we see this is a decent growth and we are firing cylinders to get the momentum and get back to core strategy.

Gaurav Jogani: Sir the second question is with regards to the sharp increase in the opex cost and that is largely driven by two factors one is employee cost and the other is opex that I assume will give to the advertising expenses and you have mentioned in the press release about the employee cost increasing on the account of capacity and capabilities building so is it fair to highlight more on the same, are the costs expected to remain at the same levels going ahead or this was a quarter phenomenon and maybe see from the normalization going ahead?

V.S Ganesh: Coming to the opex, there is couple of things to see, one is during the pandemic period, we were media dark, there were hardly any expenses. Now that we are out of the pandemic, we need to get back to these activities. We are back to normal and those marketing expenses are concerned which is very essential for the growth of the brand and we have also invested in our warehousing capability so when you start new operations in the first three four months, the costs are higher I was talking about the expansion in the warehouse and third thing was we were also investing in building a talent. We had hiring freeze as far as management talent strengthening is concerned during the pandemic. Now with the growth trajectory which we are looking at and with the retail expansion which we have we need to strengthen that and we have invested so these are all investments for the future and because we are very, very optimistic about the volumes and in fact if you see the overall numbers even the revenue growth is actually around 20% if I do not look at the mask as a category so these are necessary investments with the growth trajectory we have.

Gaurav Jogani: Just one last question from my end if you can help us with the tax rate guidance for the whole year as well as the capex guidance for the year.

KC Chandrasekar: About the capex guidance, on the capex we are planning to spend about Rs.250 Crores upward. What was the first question sorry the line was not clear?

Gaurav Jogani: The tax rate guidance for the first half tax rate is around 24 odd percent so what should we take the tax rate for this year FY2023 and FY2024?

KC Chandrasekar: It should be more or less same. When I look at Q2 this year, we had an effect to lower tax rate because for all the new employees we claimed the 80JJAA and that was not there, not many people were joining so the new employees were eligible for some deduction, so due to that the effective tax rate of Q2 has come down but overall if you look at H1 versus H2 it will be more or less in the same range.

Gaurav Jogani: Sir if I understand it right it would 24% odd, 24.2% whatever H1 number is?

KC Chandrasekar: Correct.

Gaurav Jogani: Thank you and best of luck.

KC Chandrasekar: Maybe Q2 was 23.7%, last year it was 25.3% so I expect the effective tax rate to be in the range of about 24% on a full year basis.

Gaurav Jogani: Okay and that would be the same for 2024 as well, the next year as well?

KC Chandrasekar: I guess so because there is really no change in the corporate tax rate it is only because of certain deductions that we get like the 80JJAA as I mentioned, so if there is more people joining there will be more exemption on that count so one should expect around 24% to be maintained.

Gaurav Jogani: Thanks.

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

Tejash Shah: Thanks for the opportunity. Couple of questions from my side. Sir first question pertains to increase in inventory so just wanted to know what is the nature of this inventory built up for finished goods built up before the value or is it that we have expanded our pipeline to service the white basket of products that we are doing and should we think about inventory going forward from here on?

KC Chandrasekar: Thanks Tejash for the question. Obviously, we are looking back about two quarters back the raw material prices are moving up and we repositioned much of the inventory and we also

ordered and paid everyone well so we have gone little ahead of the curve as I mentioned in the beginning. We had about six months RM inventory at the end of March and now it has come down to about 3.7 or so but the finished goods from about two and half has gone to about 3 months and right now we are not building much of raw material inventory until we sort of hit the optimum level of inventory of FG as well. So going forward in Q3 and Q4 you would expect the inventory to go down. In terms of composition, from the 13,600 about 8000 is FG and 5000 million is raw material and the remaining is work-in-progress.

V.S Ganesh: Tejash, this was more of a strategic thing we did to make sure those times if you look at 6 months back the supply chain was not all that robust and we wanted to risk mitigate by having stock. We were also seeing lot of demand fluctuations and we thought we should have good enough stock across the portfolio so that we can build agility and meet the changing market demands now that things have normalized we are having much better control and the buys are reduced and we are leveling up the stock levels.

Tejash Shah: Fair enough Sir. Sir second question pertains to distribution. So the highlight of last 18 to 24 months of our strategy was very rapid distribution expansion and as you mentioned earlier that we wanted to capitalize on the supply chain constraint for the competition so where do we see this lever now playing out because we have now rapidly expanded touch points so how should we think about that lever in the next 18 to 24 months?

V.S Ganesh: I think Gagan Sehgal can throw more light on this but before I pass into him, let me tell you I think there is much more headroom as far as reach is concerned. We are looking at pincode wise ward level when we look at the potential. We have a huge potential to grow and we need to have much better reach and therefore we will continue to have the right expansion as far as retail expansion is concerned both for channel sales and for EBOs but Gagan more light on this aspect.

Gagan Sehgal: Thanks Mr. VSG. Thanks for the question. Yes we did want to ramp up the distribution drive in the last 24 months and one reason was also that we understood there is a lot of reverse migration because of pandemic in tier 3, tier 4 towns from the metro cities and we needed to grow there and be available near the consumers. The rampant growth you saw was resettling at the point of time we wanted to fill in all the gaps and we did not want consumer to travel far to get our goods. At the same time, as Mr. Ganesh has said we still see a huge headroom, but I mentioned in the past few calls that be it in very strategic manner. One we do not disrupt our existing credit partners in case he is doing very well so there is no idea to open another MBO just next to him but we are looking at gaps. We have zero gaps all our outlets and wherever we see there is a gap we are today present in 1 lakh plus towns but we have gone deeper. We are present in less than 50,000 towns also where we see the potential which is the hub for them in their towns, so this will drive continue. I

would not say it will be rampant like we opened 30,000 outlets last year but we have already opened 8000 in H1 so there is no reason why we will not continue but we will only do it where we do not disrupt our current trade partner at the same time the ease of consumer is important and strategically the outlet needs to be present so we can continue. I do not think every year wise we should not grow at least 10,000, 15,000, or 20,000 outlets.

Tejash Shah: Are we able to expand those distributions without diluting terms of creditor. Like you have seen in many other companies once you expand and go rural or beyond your core areas you have to extend more credit period or terms to this are we seeing that kind of pressure with this expansion?

Gagan Sehgal: That is a very good question by the way. Whatever distribution expansion that we have done there is no subsidy in the cost to serve. The distributors and partners are profitable. The reason is that as we go deeper and I will say there is market in a tier 4 town, you do not need to open 10 outlets in that market. There is one strategic outlet which can show case our brand and there our brand can be positioned because we are premium brand, and affordable premium brand so it is very selective and the throughput per outlet in the smaller towns is almost the same as metros because in metros we will have large number of outlets so from that perspective the terms of freight has not changed at all and it has not got compromised in terms of period. Yes when you open outlet for the first time that is the time we can nurture the outlet because he was not keeping our brand before maybe post the business takes care of itself because the consumer knows Jockey and wants Jockey so there is no dilution to the terms of credits. It is all the same be it the smaller town or other larger town.

Tejash Shah: Great and last question if I may. For the first half we are very within our long term margin guidance of 20% to 22% band but looking at where we are on 2Q would we need any pricing intervention to improve margins from here on or we can actually crawl back to those levels without any pricing intervention?

V.S Ganesh: Tejash thanks for asking that question. As we look at it today, I do not see a need for an immediate relook at it because the input costs are coming down in the cotton prices as you can see softening and we can see that happening for many inputs so that should offset some of the pressures which we have so if that is not going in line with our budget then we may have to relook at it but as things stand we are well under control.

Tejash Shah: Thanks Sir. That is all from my side and all the best to the team.

Moderator: Thank you. We have the next question from the line of Nihal Jham from Nuvama. Please go ahead.

Nihal Jham: Sir three questions from my side. The first one was that over the last two to three quarters we have been facing a supply crunch given in the kind of demand that we see. Was there a case that now that a lot of our manufacturing has got normal that this quarter the primary sales would have been higher than secondary given there was a requirement of filling the channel, just wanted your thoughts first on that?

V.S Ganesh: Well, Nihal the secondaries are in line with primary. We keep a close watch on this. We are happy that there is no such problem. The secondaries are very much in line with primaries. Gagan you want to add anymore.

Gagan Sehgal: You have answered it Mr. VSG. The secondaries are in line with primary and we keep a very close watch because we do not want inventory buildup happening at the distributor point but what has happened is it has helped us because of the better supply chain, the distributor is getting exactly what he wants and the market is getting exactly what they want so whatever primaries happening is getting sold because it is in line with the retailer demand and the end consumer demand.

Nihal Jham: Understood. That is helpful. The second question was on the fact that if you look at the volume growth excluding the mass business which is 1% and the distribution growth both in terms of EBOs and MBOs has been reasonably strong if I look at the run rate over the last two to three quarters also. Given Gagan, you also you mentioned that the throughput per store is more or less similar why is that maybe our volume growth for our core category has not been in sync with that.

Gagan Sehgal: Nihal if you see the core category that is why I was saying the core category has actually improved, by 7% and what happened was we were one of the first companies to bounce back quickly during last quarter Q2 post pandemic so we have a strong base there. So if you see across the consumer brands companies which bounced back very quickly have always recorded this kind of 5%, 6%, 7% growth because last Q1 we lost 28 days and if you see historically Q1 is always the best quarter and we front load the inventory which did not happen last year one because we lost 28 days and two the distributors and partners did not want to over invest because times were very uncertain and when the dust settled and when normalcy came back in Q2, there was huge buoyancy and we did well there so this 7% growth is on that strong base. If you see they were eating into the inventory and they were correcting it, today this growth is on a normalized inventory as far as distribution partners are concerned.

Nihal Jham: Understood. Just last question on the distribution part was that Gagan when you are looking at targeting say the incremental outlets are we primary looking at hosiery stores and garment stores or we are looking at explore other revenues also for the Jockey brand?

- Gagan Sehgal:** You will be surprised what we actually explored during COVID, it is not just hosiery stores obviously that is the core but there were all kinds of unconventional outlets who during COVID were not able to survive and they moved to apparels. So it not just hosiery stores we were evaluating and exploring other options. Like I was mentioning places where the brand does not get compromised but today you will see big outlets near the petrol pumps we are even present there so there all kind of unconventional outlets that have come in and in fact they want to partner with us so as we continue our distribution expansion plan it will be in lines with where we need to be present and at that point of time if a hosiery outlet which cannot represent the brand in the best possible manner if we have any other alternate we will go ahead with that also. So we have all kind of different beats, for example our mask and socks today are present in chemist shops as well or cosmetic shops so we are not just exploring hosiery.
- Nihal Jham:** I was asking of these 118,000 MBO outlets what would be core to the innerwear category and Athleisure X of the masks that we are selling?
- V.S Ganesh:** Nihal, what Gagan was saying is out of the 118,000 we are looking at all options. If you look at beauty shops, some of them even sell lingerie and some of the gyms sell gym vest maybe the inventory is very, very curreted there, the product which they keep, which is very, very relevant for them but we do explore but bulk of them as you rightly said, are apparel or garment shops, most of them are multi brand outlets which focused on garment and there are few which maybe doing only kids wear. They may only uplift juniors but that is how we have been focusing but bulk of them most of the outlets which we have, garment shops which sell all range of products.
- Nihal Jham:** Sir I will come back in the queue. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Madhu from Canara HSBC. Please go ahead.
- Madhu:** Sir just on modern outlets, let us say a Westside or Zudio, are they acting as a competitor for Athleisure segment because they are penetrating fast in the urban areas especially so whether the footfalls from our EBOs potentially we might be losing to some of that and where the Athleisure volume can get impacted?
- Rahul Shukla:** The market is big enough as far as Athleisure segment is concerned and we do not see any decline in footfalls just because there are few departmental stores which are coming up. They have their own service they give to family and the segment that you want to operate in. Our customers are very clearly very loyal to the brand and have the habit of closing that be it Athleisure, active wear or innerwear so we do not see any impact coming in because of the expansion of departmental stores.

Madhu: In terms of next 2 to 3 years perspective in terms of your distribution expansion I mean the EBO expansion momentum will continue because of lot of disruption is happening on the channel through e-commerce and all that so any read on that and second RM is actually cooling off in terms of cotton prices and are we carrying the high cost inventory which can now impact us in second half? Thanks.

Rahul Shukla: We have been opening Madhu close to 150, 200 stores in a year and there is no reason that this pace is going to slow down anytime sooner be it the next 2 years. There are enormous opportunities that exist, what we have retained, more than 2500 plus staff across different channels that we have, be it e-commerce, be it MBOs, whereas EBOs right now are present within 408 cities so the amount of opportunity that exists, the potential that exist is enormous for a very long to come and we will continue to suffice this. We are building capacity to increase this expansion as we go forward.

V.S Ganesh: Madhu, answering your second question we are not going to overbuy any longer. We will be buying only what is absolutely essential because we are armed with sufficient inventory, raw material and finished goods so we will be actually utilizing that before we spend more cash to buy more material and secondly we have done lot of work on the supply chain side to improve on time and full deliveries. In fact, it has now started reaching high 90s in fact last month it was 97% on time in full so with that kind of predictability in supply chain we can afford to have less buffers as we move forward and we are closely working with our vendor partners and they have also stabilized as far as the operations are concerned so we are utilizing the material on hand.

Madhu: Thanks.

Moderator: Thank you. We have the next question from the line of Rishi Mody from Marcellus Investment Managers. Please go ahead.

Rishi Mody: So I have a few questions first on the EBO front and the Athleisure front so how much of our revenue contribution comes in from the EBOs and the Athleisure segment and then I will maybe get into the second part of Athleisure question if you can answer this first?

V.S Ganesh: Rishi, as you know we actually do not give those segmental numbers because it is not good for you and me because this is something which is sensitive as far as competition is concerned, so I may not be able to give you specifics but I can tell you one thing, our Athleisure segment is actually growing and our modern trade is also showing robust growth because people tend to go back to offline or brick and mortar especially Athleisure they want to experience the buy and most of it happens in EBOs so both are growing. We have also come out with very exciting product range. Today, we have a very rich product portfolio, which is actually fueling the growth.

Rishi Mody: Since this is mainly a franchise model right so the top key determinants for a franchise would be their payback period and like-for-like growth so can you shed on light like how much is the payback period for an EBO store that you are all targeting and what has been the like-for-like growth over the last three-four years. Like if pre COVID was steady for your EBOs so that we know how much like what is the growth trajectory for existing EBOs?

Rahul Shukla: Like you rightly said we operate through a franchise model which is an outright business model where the rights and obligations are very clearly demarcated. The franchises want to invest in the fixtures, furniture or stores, rentals and our responsibility is to ensure that they get merchandise, bank at least should be strong and they continue to do great business. The very fact that we are opening to 150 to 200 stores year-after-year is clear reflection of the fact that franchise finds its business model profitable, extremely profitable and that is why in fact we have a large number of brands who have multiple stores with us. We have now close to 1200 stores. The number of franchisees, are 600 plus so this finally reflects the faith and the consequence of franchise community in store, Jockey concept, retail concept. The second part of question which is about growth, in fact for the last many quarters, the number of retail channels has delivered high double-digit like growth across the channels and a positive like-to-like growth except for one quarter where the lockdown impacted the number of days that we would operate and it was on quarter one last year otherwise consistently all our stores have had a very positive like-to-like growth.

Rishi Mody: Got it. That is encouraging. Thank you. Second my question is on the supply chain so you said that we have recently achieved a 90% plus predictability on supply accuracy and we have tied up with a vendor to help us with this so could you shed more light on what is happening to get our fill rates up and our supply chain more robust?

V.S Ganesh: Rishi, what I said predictability meaning the on-time supply from our supply partners be it raw material supply partners or finished good partners, have increased and this is mainly because we also sometimes if there are any raw material issues for the garment vendor for example outsourced vendor partner, we are actually helping with the inventory which we have. This is also one reason where in we decided to have high inventory because those were times when working capitals were on the strain and we thought we would rather put our money to better work during those times so that we can mobilize capacities and with that it has helped all our partners and today they are back on track and that is why on time supplies have improved to high 90s so when this happens it actually improves availability for the front end also because as Gagan rightly said sometime back when the inventory help improve you sell the right thing at the right time rather than giving an alternate and pushing some other product and which creates that ripple effect bullwhip effect in the supply chain

and it pushes you through peaks and troughs now that we have good availability and we are fulfilling the true demand of the market rather than pushing this really helps in the long run.

Rishi Mody: Your primary sales growth and your secondary sales growth is in tandem with each other as you mentioned earlier and that is reflective of these initiatives?

V.S Ganesh: Absolutely, we are also moving to more or less moved to ARS and that is also helping quite a lot because that means our fulfillments based on the true rate of sale and based on the true market demand.

Rishi Mody: Understood and you brought in an external consultant or something you mentioned or is it just for this you mentioned you tied up with external vendor for your supply accuracy modeling?

V.S Ganesh: What we did is we have one of our supply chain planning in sense which we have is which is known as JDA this is a world class support system for supply chain planning and management so we have implemented that and with that we are able to have much better supply chain optimization.

Rishi Mody: I am sorry what was the software name I could not get you?

V.S Ganesh: It is called Blue Yonder. It was known as JDA. Now it is called Blue Yonder and with that our supply chain teams were working on supply chain optimization and we have also planned some delay differentiation were possible with that. For example, we keep some uncolored fabric, we call it grey and we can afford to colour it just in time so that we can get much better speed to market so we are able to do these kinds of intervention and by having rationalized very, very strategic supply partners they are also willing to take risk and pre position raw material to enable speed.

Rishi Mody: Today what would you say our fill rates at the MBOs and EBOs?

V.S Ganesh: Fill rate based on the primary orders which are getting is almost I can say early 90s to mid 90s and our demand accuracy is improving rapidly because of the ARS implementation and the ARS implementation is ongoing. Today, we have reached around 80% and as we reach 100%, this should improve and the strength of inventory also helps because if there any fluctuations also the buffer stock really helps.

Rishi Mody: Got it understood. All right this is super helpful thank you.

Moderator: Thank you. We have the next question from the line of Ankit Kedia from PhillipCapital. Please go ahead.

Ankit Kedia: Few questions from my side. First is on the demand environment. You mentioned in the opening remarks demand is slightly lukewarm so can you just elaborate more is it across categories where we are seeing pressure at the entry level and even across geographies in tier 2, tier 3 markets the pressures is high on the demand or it is broadly broad based?

V.S Ganesh: We have grown against the high based what has happened is the draining of inventory and people not willing to invest during uncertain times and actually utilizing the stock and all huge sales at that time because when it dries up and when the supply is also tight people want to buy and get the share so all these disruptions were there and today it has normalized so we have healthy inventory and if you see general prices softening, one of the areas even though we have grown in the category Athleisure has comparatively grown lesser than other category. This is very much understandable because this is back to office time. It is not any longer work for home so the Athleisure utilization comes down and the share of the wallet comes under pressure because everybody when they want to go back to office the demand for formal wear goes up and when the wallet share goes for formal wear Athleisure may depart so we see these as temporary basis which I think it is a passing phase and we are over coming and various initiatives we are taking including improving the distributor health of inventory through ARS. We will be able to bring all this back to track.

Ankit Kedia: Sir my second question is regarding the pricing action. If the cotton prices continue to fall from today, would you be willing to reduce prices given that the competition reduce prices or you will more prefer to do more A&P spends than other trade initiatives or reduce prices given that in Q4 your modern classic factory is also going to come in which is going to be a very big factory so from a tier 2, tier 3 markets perspective push can we see a price cut if not price increase?

V.S Ganesh: If I read the pulse of the market, I do not think price is an issue. Consumers do not feel our product is expensive and we have always positioned our product as value for money proposition for our consumers and it continues to be the same so none of our supply partners, retail partners or none of our consumers when we interact with them none of them feel we are pricey and if you see our current EBITDA also it is not in line with our usual numbers. We knew this when we were doing the last price intervention of around 3.69%. We knew there will be a quarter or so where in EBITDA will be under pressure but we did not want to increase our price because always looking at long term we always knew this high price of input cannot sustain itself and it will soften so we kept that in mind. What I was saying the price increase which we had last time when we did we knew that the raw material in the medium term will soften and we kept that in mind and we knew even if there is going to be a short term pressure on EBITDA percentage we will not out price ourselves or increase the price because we always wanted to be a value for money brand for our

consumers, so we are already budgeted and today when I look at it the raw material price movement are in line with what we assume in our budgets.

Ankit Kedia: Sir my last question is regarding scrap sales. Sir last year if I see we had 150 odd Crores of scrap sales from the past run rate of around 40 Crores to 50 odd Crores that would also come in the base this year or the scrap generation at the plant is very, very high so if you can just throw some light why last year the scrap sales was high and is it coming in the second half in the base?

V.S Ganesh: Two things; scrap sales was low during pandemic times because these small time vendors who had cash issues so they were not able to take it at the right price and we also thought we will wait for getting the right price and second we also find much better vendors who can take the scraps and therefore we are also getting better rates than before.

Ankit Kedia: That would also be the base for the second half of this year and which would also impact margins given that scrap will directly flow to EBITDA so would bulk of that be in the second half of last year so the second half of this year will have some base impact of that as well?

V.S Ganesh: I actually do not know because this is not a big component. I do not think this can spin the needle that much so frankly I need to check. I do not know whether KC can throw some light on this.

KC Chandrasekar: I do not know what you mean by the scrap because there is also an alms length for the vendors so taken together it is 22 Crores.

Ankit Kedia: Sir I will take it offline with you separately.

Moderator: Thank you. We have the next question from the line of Akhil Parekh from Centrum Broking. Please go ahead.

Akhil Parekh: Thanks for the opportunity. My first question is on the category wise growth would it be possible to share like the first half of the year which category grew fastest and which was the slowest?

V.S Ganesh: Actually, if you see first half of the year, all categories have actually shown good growth be it the men's innerwear, women's innerwear, Athleisure. So if we look at the first half of the year we are happy in fact all categories have shown good growth expect for mask which is natural. It is on expected line otherwise all categories have shown growth. In fact all channels have grown. In that sense we are in a very good position. Even with back to office

our Athleisure has actually grown. Maybe the rate of growth might not have been as high as Q1 but it has still recorded growth.

- Akhil Parekh:** So Athleisure is growing even if we compare with the pandemic period.
- V.S Ganesh:** Yes. One is because of the retail expansion second it was a discovery for our consumers. We were able to attract lot of new consumers during that time so there are repeat buys happening, retail expansion is helping and the product portfolio enrichment which we have brought in is also helping. In fact, our work leisure is also something which is a very exciting product range which people can wear both for leisure and for work so what our product development has done is amazing and with that we are continuing to see growth. As you know this is a huge potential category with single digit market penetration at 7% to 8%. There is so much headroom for us do grow in this category even though it is post pandemic so we will continue to work aggressively on these categories.
- Akhil Parekh:** This is good to hear. Second on the channel wise contribution if you can please share how much of the sales has come MBO, EBO and modern trade and e-com?
- V.S Ganesh:** Akhil, I am sorry as you know we usually do not give those splits out because we feel it is very sensitive to give those splits out.
- Akhil Parekh:** Thanks a lot and best wishes for coming quarters.
- Moderator:** Thank you. We have the next question from the line of Swati Jhunjhunwala from VT Capital. Please go ahead.
- Swati Jhunjhunwala:** Thank you for taking my question. My first question was what was the volume growth in the core categories as well as overall Q-o-Q over Q1 of FY2023?
- KC Chandrasekar:** It was mentioned as 7% over year-on-year. I do not have ready number on the comparison. I can get back with you.
- Swati Jhunjhunwala:** Second question is related to the capex so the 250 Crores guidance that you have given, is it for the full year like FY2023 or is it for the second half because I assume in H1 we have done around 88.8 Crores sort of a capex?
- KC Chandrasekar:** I mean it is for the second half. It could be more than that. It all depends upon how the pace of Odisha expansion coming up. So recently we are pitching that it should go live in Q1 of FY2024 so 250 Crores is something we expect in H2.

- Swati Jhunjunwala:** Last question is this time our margins were very low at around 19% so in Q3 and Q4 do we expect the margins to go up or do we expect to be around the same days as below the previous four quarters?
- KC Chandrasekar:** We typically pitch for 20% to 21%. There is no question mark on the margins getting achieved and as you know the advertisement is not a linear spend while some of the capacity creation of manpower and warehousing is so given that the raw material prices are also weakening. I mean even in this quarter the margins have been pretty good, 19%, so going forward we should at least aim for at least 20% to 21% in the next two quarters.
- Swati Jhunjunwala:** Just a last question on the ad expenditure so how much was the media and ad expenditure as a percentage of sales this quarter, the ad expenditure as a percentage of sales?
- KC Chandrasekar:** Maybe we spent about 440 as percentage of revenue which was about 3.5 million in Q2. It is about 3.5 million.
- Swati Jhunjunwala:** Should we assume that 3.5 should be the approx percentage for Q3 and Q4 as well?
- KC Chandrasekar:** Typically restrict between 3.5 and 4 but again it depends it is not necessary that it should be spent. There must be campaign. There must be reason like digital presence and all that so that could be my answer.
- Swati Jhunjunwala:** Thank you so much
- Moderator:** Thank you. We have the next question from the line of Devanshu Bansal from Emkay Global. Please go ahead.
- Devanshu Bansal:** Thanks for the opportunity. Sir what was the volume contribution of masks in this quarter for Q2 FY2023, so I was asking what the contribution of masks in this Q2 FY2023 were?
- KC Chandrasekar:** The revenue contribution of mask was about 2%. It is much less than 1% this year Q2.
- Devanshu Bansal:** Volume contribution Sir?
- KC Chandrasekar:** It should be in the similar range. It was about 5% in terms of volume last year and it is about 0.5% this year, Q2.
- Devanshu Bansal:** Secondly I wanted to understand Sir in Dubai you now have 10 stores so what is the outlook for the Middle Eastern geography as well do you have your own manufacturing operations there as of now?

- V.S Ganesh:** Middle East is a huge growth opportunity area for us. If you look at all our licensed overseas territory this is the most existing place so we are actually focusing on the Middle East especially Dubai. We are making good investments. Our partners there are investing that is where we have our tenth EBO just opened very recently in Dubai. We are also present in places like Dubai mall and the performance so far has been encouraging and the partner is therefore investing further on the business. When it comes to supplies we do support the supplies from here. It is manufactured here and supplied from our units from outsourced vendor partners from here because it is very important we take care of the quality of the product and we are responsible for it and it is coming from our sources.
- Devanshu Bansal:** Do you plan to open your own manufacturing operations there?
- V.S Ganesh:** Not as such because operationally it can be very expensive. We may not get the operating cost advantage as you know raw material is not there. All raw materials will end up getting imported there. Labor cost is much higher there so we may not be very competitive if we manufacture there. Second today for the volumes it does not also justify with the scale. You cannot justify a manufacturing facility there.
- Devanshu Bansal:** Got it and if you can speak something about the potential, the industry and the growth trend and what is the current market share and how do we see our market share improving in that geography?
- V.S Ganesh:** As you the economy we despite the recession and all that I think we are in a better position and I think India is going to be a growth story and there is accelerated growth of the middle income bracket and retail is getting more organized.
- Devanshu Bansal:** My question was for Dubai. If you understood it for India then by question was for Dubai the industry and industry growth prospects?
- V.S Ganesh:** Gagan can also throw more light on this, but it is very, very exciting. To start with there is huge expat community who actually buy from here and they have been the first early loyalist of our brand and the footfalls and now we can see even the local population is well accepting because of the quality of the product and the range which we are offering and that is where the sell through is so good that our partners are even willing and already gone ahead and invested in Dubai mall which is a very expensive place to be in and they are finding it to be a viable business proposition in such places, the mall of Dubai, Dubai mall. There is a tremendous opportunity there was to grow and the penetration is very low. What we have is some very luxury brands which are supra premium and there is very little mid premium brands present there and then there are all the other local imported stuff is there. So in the mid premium the space there is lot of space there which is not occupied. This is

where we are seeing a huge potential for us to grow the business. Gagan, you want to add anything more?

Gagan Sehgal: Sir I think you have captured it beautifully but just a couple of points from my side, is currently we see huge potential there. That is the reason first is to position the brand and how do you the position the brand is to have your exclusive brand outlets in the best malls and the partners are seeing that hence if you see from last year from four to ten EBOs we have expanded at that rapid space. Now there is a local Emirati population and there it is not a question of who actually is your target consumer, almost everybody is your target consumer there and once the brand is positioned we also see a huge potential in the local population there which wants products from brands like Jockey but we are creating right now and we are working on more and more awareness. That is what we are focusing on and I think it is going to be very, very exciting market for us going forward we can expect very, very healthy growth in years to come.

Devanshu Bansal: Thank you.

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

Sameer Gupta: Sir good evening and thanks for taking my question. Sir just looking at your comments you made this call. Number one the distribution expansion we have seen during COVID times that will continue but at a slower pace. Second is that we do not intend to take anymore pricing given the current raw material situation so based on these two constructs is it fair to conclude that whereas revenue growth momentum that we are seeing currently on Y-o-Y basis we should see further moderation from here on?

V.S Ganesh: I do not see any reason for further moderation. I think we will get back to the growth. Mr. Gupta, what I was saying generally if you see all consumer good segment during the festive season, the sale through was not as good as the market expected. It has softened. I see little rebound because it is a temporary phase is what I feel and when I look at distribution, the inventory is getting corrected. We have taken lot of action so the health of the inventory is improving. This should help us to have better sell through because this will mean much better working capital utilization for them better rotation of the money which is going to be not only profitable for them but also to leverage on the growth which we have planned. So I see this has a short-term but last year was turbulent and we had our and we had our peaks and troughs so I think we should look at how it is going to pan out for the year. I am sure the way it is looking at, at the end of year we will be very much on force as per our budget and plan. We have been looking at very aggressive growth and we are very optimistic that we will be hitting that.

Sameer Gupta: Thanks. That is all from me.

Moderator: Thank you. Ladies and gentlemen that was the last question and we will now close the question queue. I would like to hand the floor back to Mr. Chandrasekar for closing comments. Please go ahead.

KC Chandrasekar: Thank you all for dialing into this call. Apologies for some of the audio issues we were facing. Thanks for your support to Page. Have a good day, bye-bye.

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