



November 16, 2023

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 2023.

Audio recording of the investor call is available in the following link:
https://youtu.be/AQPLYnCVrOY?si=thRLbKS_TVL-uLH8

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 FY '24 Earnings Conference Call”
November 09, 2023



**MANAGEMENT: MR. V.S. GANESH – MANAGING DIRECTOR – PAGE
INDUSTRIES LIMITED
MR. DEEPANJAN BANDYOPADHYAY – CHIEF
FINANCIAL OFFICER – PAGE INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY '24 Earnings Conference Call of Page Industries Limited.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. V.S. Ganesh, Managing Director, Page Industries for his opening remarks. Thank you, and over to you, Mr. Ganesh.

V. S. Ganesh: Thank you. Thank you so much, and good evening, everyone. Thank you all for joining us in our earnings call today. I'm also joined by our CFO, Mr. Deepanjan, for the call. I hope you had a chance to review our press release and results.

Before we dive deep into the numbers and specifics, I would like to provide an overview of the quarter that has just concluded. Though, we are seeing some positive trends in consumer demand in the economy and rural segments aided by the onset of festivities, we are yet to witness any noticeable improvement in the urban and mid-premium segment. However, we firmly believe that these challenges are temporary and will continue to invest in technology, brand promotion and expanding our reach while ensuring comfortable operating margins.

However, macro headwinds and market conditions continue to pose some challenges leading to year-on-year de-growth reflected in an 8.4% decline in revenue and an 8.8% decline in volume in Q2. In H1, de-growth in revenue and volume were 7.6% and 10.2 percentage respectively. Demands in the innerwear and athleisure industry remains subdued in Q2. This was in line with our anticipated expectations which contributed to lower sales volumes. It's worth mentioning that our industry has witnessed an accumulation of excess inventory, which has had repercussions on the overall ecosystem, resulting in certain unsustainable business practices in the market.

We continue to focus on sustainable sales practices while taking measures to maintain our operating margins and working on optimizing our inventory. In line with the objectives, we will stay invested in enhancing consumer reach and experience. In diversifying and enriching product offerings, in operational excellence and digital transformation. To navigate through this temporary phase of market conditions, we have taken adequate measures to safeguard and improve our market share.

Additionally, diligent control over expenses have been instituted to protect our margins. Speaking on some key updates for the quarter, we are focused on improving productivity in our supply chain with clear focus to optimize operating expenses. I would like to highlight that our EBITDA margin for Q2 FY '23 was maintained at 20.8%.

Our distribution network expansion remains in line with our plans. As of end of September, we have a network of over 112,000 MBOs and 1,370 EBOs and more than 2,400 large-format stores.

We are strategically directing our attention towards Metros and Tier 2 and Tier 3 cities. Our e-commerce channel witnessed a substantial growth of 31% in H1. This actually reflects evolving consumer purchasing habits and a commitment to bolstering our online presence. We have taken several initiatives, some of which have been executed to further strengthen our D2C channels.

We continue to invest for attaining our long-term objective. Our strategic focus encompasses multiple trends, which includes intensifying general trade distribution, expanding large format stores and exclusive brand outlets, growing D2C business, improving customer experience, strengthening product portfolio, partner and consumer engagement, international business and brand building and also ensuring a very robust supply chain. While we acknowledge the cumulative volume and revenue de-growth challenges, we are committed to maintaining our strong margins and optimizing our inventory.

We will remain vigilant and agile always, seeking the right balance between short-term adjustments and long-term strategic investments. We remain optimistic on the long-term outlook and we appreciate your continued support and trust in Page Industries. We look forward to addressing your questions and sharing more insight into our performance during this call. Let me also take this opportunity to wish you all season's greetings and a prosperous year ahead on behalf of all our associates.

Thank you. And with this, I would request our CFO, Mr. Deepanjan, to take you through the numbers for the quarter.

Deepanjan B.:

Thank you, VSG. Good evening, friends. I hope you're all keeping well. Thank you for your participation this evening. I'm pleased to report that Page Industry has delivered a reasonable performance in Q2 of FY '24. To take you through the key financial highlights for Q2, we recorded sales volume of 51.8 million pieces, which is lower by 8.8% Y-o-Y and resulting in a sales revenue of INR11,251 million. Despite the lower revenue by 8.4%, EBITDA achieved was INR2,335 million, a de-growth of 1.8% Y-o-Y. Q2 EBITDA margin was maintained at 20.8% due to the operational expenses optimization and the stable raw material costs. Profit after tax was INR1,503 million, a de-growth of 7.3% Y-o-Y. PAT Margin is 13.4%.

Coming to the first half, H1 revenue was INR23,575 million, a de-growth of 7.6% Y-o-Y, and volume de-grew by 10.2% at INR107.7 million. EBITDA was INR4,754 million, lower by 11.2% Y-o-Y. Profit after tax was INR3,086 million, lower by 16.4% Y-o-Y. Inventory stood at INR13,619 million as against INR15,953 million at the end of Q4 FY '23.

Inventory days have improved to 105 days. We saw 150 days in the end of Q4 FY '23. This improvement in inventory base is in line with our efforts to reach optimal inventory levels by year-end. Net working capital was INR8,799 million as compared with INR7,680 million at the end of Q4 FY '23. Our working capital days was 68 days, which was 59 days in the end of Q4 '23. The increase is due to improvement in our bank and cash balances.

To summarize our financial performance, we remain focused on driving operational excellence and capitalize on growth opportunities. Our stable operating margin highlights our commitment to prudent cost management and it's subdued demand.

With this, we can open the floor to any questions that you may have.

Moderator: Thank you. We will now begin the question-and-answer session. First question comes from the line of Nihal Mahesh Jham from Nuvama. Please go ahead.

Nihal Jham: Sir, my first question was that if I look at the volume growth, it is still deep in negative territory. And while you did highlight the market situation versus last quarter, has there not been even some improvement in terms of the trajectory being improvement. What is leading such kind of stress that even say, six months down because I think this issue started at the start of the year that we are still under so much of impact. And also, if you could highlight of the three segments, is there any one sub-segment that is leading to more stress than the other?

V. S. Ganesh: Yes. Market generally has not been very buoyant. And we should also keep in mind, if you look at the quarter 2 last year, we actually performed well, and we were one of the few brands who actually grew very well in Q2 of last year. So we also have that base impact. However, we have taken enough action to boost our sales and we also have been taking enough measures to bring in discipline, we have never taken shortcuts to achieve sales. We have been working hard on having better treasuries, improving our secondaries, keeping a close eye on the distributor inventory, and we are helping the distributors in having a better health as far as inventory is concerned. And this is very important in the long term of the business.

And these may have some short-term impact. But basically, if you look at it, we are now seeing that we have crossed those bridges and things should -- most probably, we are all looking at the festive season. If you again look at it last Q2, the festivities were during that time. Now we have a delayed festive season. So that has also had an impact from a baseline point of view. So we are looking forward to better days ahead. We have taken enough measures to bounce back, the moment the market recovers, and we are very confident about that.

Regarding your question as to any particular category has done well, okay, The impact has been across categories because as I told you in the very beginning in my opening statement, we have had seen the pressure as regards the economy and the rural segment, though, we are seeing some positive signs, it's all early days. And there has not been any noticeable improvement in the urban and mid-premium segment.

But we are very sure this is not going to be a long-term thing. And we can already see that this can't last longer, and we are prepared to encash when the opportunity comes. Comparatively, I can say, our women's innerwear has done comparatively better, especially the inner wear and bras categories. But the growth has been impacted across all categories.

Nihal Jham: Understood, sir. Sir, my second question was, we've obviously had the benefit of low-cost inventory, I think for the last six months. But despite that, I think our gross margins are lower versus last year. Is this a case of maybe higher incentives given how the situation is in the channel at this point in time, which you're highlighting why we have improved, but there will be a view from our side also to increase incentives? Just your comments on that.

V. S. Ganesh: Yes, Mr. Nihal, when it comes to schemes and incentives, we have not done anything extra. We have been staying put with what we usually do. We never succumb to the pressure of the market

to sweeten anything and go over and beyond what we usually do. So we have always done what is need-based, keeping a sustainable and growth oriented hygienic sales practice and long-term interest of the brand in mind. So the margin improvement which you are seeing is actually because of all the measures we have taken as far as cost controls are concerned. I don't see much benefit as far as low-cost inventory is concerned because if you see, we have not touched price for a long time. And therefore, we don't have that benefit of low-cost inventory, actually.

Deepanjan B.: Just to add, I mean, while the raw material prices has been reducing over some time, but given the fact that our entire costing is based on weighted average costs, The benefit takes certain time to flow into our P&L. So that's why as a material cost level, we are yet to see any significant difference, but as VSG pointed out, there has been improvements in our sewing efficiency, which is resulting in a better gross margin.

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

Ravi Naredi: Sir, thank you very much to give me opportunity. You changed the company from underwear to full-fledged company for wear of youth and girls with a lot of reach to population of India did it with supply chain. Since last few quarters, I'm observing our main profit margin going to raw material holding the raw material of a store then finished goods. So now everything settled? Or we may face more margin on these obsolete stock or raw material stock? This is my question.

V. S. Ganesh: Well, we don't have much obsolete stock. We do have inventory, which are on the higher side because the sales which we planned in the beginning of the year before the start of the year when we did our budgeting and planning and what later transpired the marketplace didn't help. So the inventory bloated, but we have reduced. If you see this quarter, there is a reduction. We have been taking measures on that.

So we don't have any concern as far as the health of the inventory is concerned. And as you know, as a brand also, we make products which are relevant across the year. So we don't have that pressure of seasonality as far as our products are concerned. And we have taken adequate measures to control the inventories. And you can already see those results flowing in. And as Deepanjan rightly said, as far as the price benefit is concerned, we take that three months weighted average. So there is always a quarter lag effect. And therefore, many of these benefits will keep flowing in as we move forward.

Ravi Naredi: So we may assume now no obsolete inventory line with any distributor or in pipeline?

V. S. Ganesh: Distributor inventory is bit high, but it has come down from the previous quarters. This is also because we had a very, very buoyant quarters in Q1 and Q2. In fact, it started from Q3, Q4 of the previous year and Q1, Q2 of last year. So with that, they were stocking up and then we took measures to bring in health and it's where our ARS initiatives have also helped. So the inventories are normalizing there, and we can already see that. So this will all help the primaries as we move forward.

Ravi Naredi: Okay. So quarter 3 onwards, we may see growth in profitability, is it so?

V. S. Ganesh: That depends on how much tertiary sales we can get and how the market bounces back and how the festive season would be. So we need to wait and watch for that.

Ravi Naredi: But Deepawali is three days away. So no growth is there in the market for the demand of the product?

V. S. Ganesh: You would not immediately see that because it will be the tertiary sales and then the distributor will have to fill the retailer, and then it will come to us. So there will be a small lag. So I don't think it will be appropriate for me to give you some insights about the last two weeks, three weeks. But what I can tell you is, to your question as to whether there will be a huge growth or good growth in top line and bottom line, though we remain optimistic, it all depends on how quickly the market bounces back.

Moderator: Thank you. Next question comes from the line of Avi Mehta. Mr. Mehta, please go ahead.

Avi Mehta: I just wanted to better understand the initiatives that you have taken to ensure that our market share doesn't get impacted by these unsustainable sales practice, if you could kind of just give us some ideas?

V. S. Ganesh: Sure. So what we have done is, you might have seen that we have not come down on any need-based expenses. So what we have done is we have made sure that we have expanded on our retail footprint, our marketing spends has been done in line with what is required. So we are no longer media dark and these are very important things to do. And there has been good engagement with the partners, be it our retail partners or our distribution partners. And we don't see any loss of shelf space or market share.

In fact, our secondaries have done well so secondaries have done well, and there is a marked improvement in the distributor inventory so going forward, all this should benefit the brand.

So we have continued to invest in enhancing the consumer reach and experience. We are also diversified in the interest of product offerings. We have taken enough initiatives on operational excellence and digital transformation. This also helps the market because this will help us to maintain prices by bringing in operational efficiencies, and that is one important aspect. And additionally, we have also taken all other initiatives to keep our sales force motivated and engaged.

And we don't have much, be it distribution, attrition, our sales team, they're all motivated because they all understand the long-term prospects of the brand. They're all fully aligned. So we have taken enough initiatives on those aspects as well. And quite a lot of initiatives have been taken on the CRM side of the business as well. So today, I can say we are like any new age D2C brands when it comes to customer relationship management.

Avi Mehta: Got it. Very clear, sir. It's heartening to hear that we kind of [inaudible]. Just a second bit, better understand this discounting, so how long in your view, how much is inventory is – is this to relating discounting pressure versus 1Q? Or how long will inventory take to settle down because industry inventory -- it's been almost six months now. Do you think we are at the end of this pressure? Or how -- in our opinion, how should we look at this, sir?

- V. S. Ganesh:** Mr. Mehta, it's anybody's guess because we don't have full insight on the inventory of our peer brands. But I don't feel it is something which is a very sustainable long-term business practice. It can't last for long. So I hope we have gone past all those challenges and things should normalize as we move forward. That is my take.
- Avi Mehta:** Sir, have you seen any moderation. from the first part, if you could just have you seen any moderation from 1Q levels this quarter or no there is no change to it?
- V. S. Ganesh:** Mr. Mehta, it was not clear. I couldn't hear you properly. Can you please repeat?
- Avi Mehta:** Have you seen any moderation from the 1st quarter in the discounting pressure that was what was the first part -- if you could just give some understanding? I hear you that it's difficult to take a call, but on how long it will last...
- V. S. Ganesh:** Even as we speak, it continues to be intense. It is not only the promotions and discounts, it is also the schemes, which are being deployed in the marketplace. So it continues to be that way. But there is always a demand for our products. If you see our de-growth has been in line with the general economy and the market trend, we are not lost out to competition because of that because the brand has a respect, and we also powered by amazing products and we also enjoy a very good distribution network, and have a good shelf space and our consumers always see our products. In fact, if you see even in online, we had a 31% growth in H1. So mainly shows loyalty to the brand. So for us, we will continue to remain disciplined and for us it's just question of time before we come back.
- Moderator:** Thank you. Next question comes from the line of Ashish Kanodia with Citi. Please go ahead.
- Ashish Kanodia:** Sir, the first question is on the distribution side, right? When I look at your MBO network, it has declined versus last quarter, there's almost a 2,300 touch point reduction and similarly, when I also look at the number of distributors that has also shrunk over the last two quarters, three quarters continuously, right? So any specific strategies that you are driving? Because post-COVID, there was a time when there was a rapid expansion in this retail touch point, distribution touch point. So what is driving this change?
- V. S. Ganesh:** So there is no substantial reduction Mr. Ashish as regards the MBOs are concerned. It remains more or less there. There has not been a much rapid expansion also because there has been some rationalization happening. During the COVID, the market situation demanded that rapid expansion, how consumers actually went to the hometowns to Tier 2, Tier 3 cities. And we had to be there, we have to expand and when it became back to office, they got back to metros or wherever their offices are.
- So what happened was those outlets, even though it was bringing some, though it was recording some sales, it was not as profitable or viable for us to service those markets. So there has been some rationalization. There has been no other exits. And as far as distribution is concerned, attritions are normal. There has been no abnormal changes there. In fact, as we move forward, I hope, we all are sure and that's what we get to hear from the partners also. This will reduce because with ARS kicking and the distributor help inventory health is going to really improve and that is going to help them financially and from a viability point of view. So for us, our take

is that the attrition will reduce moving forward. But as of now, as we speak, it's normal, there's nothing abnormal about it.

Ashish Kanodia: Sure, sir. That's helpful. And the second question is when I look at the base quarter numbers, it seems that the number has been reinstated on the revenue and cost side, so what led to this reinstatement, so this was 2Q '23 there was almost a 2% reinstatement. And secondly, on the cost control side, right? When we look at this quarter number, there's a significant decline in other expenses. So on your earlier part, you said that you continue to make investments, so maybe you have not kind of bought on the marketing spend, etc.,. So I'm just trying to understand what cost controls initiatives you have taken in the last one quarter, two quarters?

Deepanjan B.: So first question on the regrouping of the revenue from operations. The revenue from operations used to include what we typically sell to our outsource partners. So we typically supply raw material, which they convert into finished goods and send them back to us. So earlier, we used to consider that as income from operations, which now we have removed part of our -- we have netted it off against the cost of the goods that we have supplied. So that's why we see a reduction in our reported revenue.

As far as cost rationale in the business that you're telling other expenses, the other expenses has a component of subcontracting expenses, which is a conversion charges that we pay to our job workers and for our subcontractor. So in line with our reduced production to manage our inventory and demand, There has been lesser subcontracting in the current quarter. So that's some of the reasons why other expenses each time lesser.

At the same time, the marketing expenses, there has been some certain deferral marketing expenses, it's not exactly a saving. But yes, compared to the Q2 of last year, there has been a lesser marketing expense in this quarter. So combination of these factors have eventually -- other expenses reduction as a percentage of net revenues. Other major factor is our reduction in workers' wages, because while we do not let go of our employees under any circumstances, as far as workers are concerned, there is a natural attrition. So that has happened, and that has benefited our EBITDA percentage.

Moderator: Thank you. Next question comes from the line of Tejash Shah with Spark Capital. Please go ahead.

Tejash Shah: The first question, you've highlighted in your presentation that the online business has done very well. So just wanted to know the nature of the business that we have in terms of B2B, B2C and D2C breakup, if you can broadly give.

Deepanjan B.: We are present in all the three segments, that is B2B which is outright sell to partners like Amazon and Flipkart. We are also present in the D2C segment, which is jockey.in, which is our own store, and within marketplace as well. So within these three segments, the largest share is B2B segment, where there is a direct sell followed by the marketplace presence and then the last is our jockey.in.

Tejash Shah: Got it. Sir, second question was -- and this is like just want to understand, that we noticed in some of the value retailers in the last three, four years that whenever they discussed market share,

it was largely among themselves. And then suddenly an online player came from nowhere and this was below the radar in the market share discussion. And then obviously, mostly they have - - all have pivoted to kind of fight with that challenge. So in our case also, when we look at offline numbers, then definitely, we have not lost market share to anybody that's visible. But if we have to compare ourselves with, let's say, some below the radar online players or emerging players, are you sensing some part of our premium customers we would have lost in these strata.

V. S. Ganesh:

Tejash, we don't see that because there has been a lot of initiatives taken by us also in customer acquisitions. And our D2C arm is very, very strong. And therefore, it has really had -- we recognized the significance of D2C space. And we are dedicated to nurturing our D2C business segment. So we are very sure of having much better customer acquisitions as we move forward. What we see is most relevant. The competition will be there. It is good. It keeps us in our toes. We are not left in white spaces as far as the product range is concerned and -- we have come out with very exciting products. We keep upgrading them without touching prices.

And we stay relevant to our consumers as far as our offerings are concerned. And we have been actually taking a lot of initiatives in improving the customer experience. So that has been central to our strategy in enhancing the overall customer experience. and the product portfolio, as I told you, and the consumer reach through marketing is something which we are working very hard on. And the kind of spend we can afford to have is much better than many of those brands which are coming up. So we have enough muscle to tackle it, and we are making all the right move to manage the situation, and we don't see any threat.

Tejash Shah:

And sir, last one, if I may. Sir, you spoke about that we had to respond in a certain way during COVID and post-COVID in Tier 2, Tier 3 areas, both in terms of numeric footprint and perhaps expanding inventory also in those areas. And now once we last two, three quarters, as the things started normalizing, we would have kind of called back on some of those initiatives because they're not profited. You highlighted that as well. Should we believe that most of those kind of reversal is done? Or do you believe there is still some more reversal spending as we go?

V. S. Ganesh:

No, most of it is done. And what I meant is it's not that we are not there in Tier 3, Tier 4, but in less than 50,000 population city or 25,000 city, maybe you can have three or four outlets. There is no space for eight or 10 outlets. So there is a rationalization required, and that is what has happened, and we are done with it, more or less done with it.

Moderator:

Next is Ankit Kedia with Philip Capital. Please go ahead.

Ankit Kedia:

So on the employee cost while you alluded that the normal attrition has not been again bought back from the manpower front. But there is a significant portion of the variable cost, which you started a couple of years back at the organization. Now given this performance, has the provisioning for the variable costs not taken care in the employee cost? Or that comes at the end of quarter four. So how does that variable cost move?

Deepanjan B.:

No. The variable cost based on our budgeted performance we do provide certain variable costs on a pro rata basis. The actuating of the variable cost of course takes place in the last quarter. But otherwise, the provisioning of the variable cost is very much in place.

- Ankit Kedia:** And sir, given this performance in the first half, can partly the decline in employee cost also be attributed to lower variable cost?
- Deepanjan B.:** No, nothing to do with that. Employee cost reduction is because of two reasons. As we said, when we allowed the natural attrition in our workforce. At the same time, given the -- I mean, considering all the conditions that we exist now, we have stopped recruitment. The recruitment freeze currently. So the normal increase or the normal increment that has happened during the year that has anyways flown in. Major reason for the reduction is the normal attrition in the workforce.
- Ankit Kedia:** Sure. Sir, my second question is regarding the high inventory by competition. That inventory predominantly for athleisure, right? And not for innerwear. So if you can just break down the growth separately for athleisure for us versus innerwear it will be helpful for us to understand how much pain has already happened for athleisure versus innerwear?
- V. S. Ganesh:** Ankit, we see that inventory -- actually, the problem of the bloated inventories across, it's there in innerwear also. And there you can see in the marketplace also, if you talk to the distribution partners of peer companies and others. There are a lot of schemes to liquidate those stocks. There are a lot of promotional activities, which are happening. So it is not specific to a category. It is across category. So it is there innerwear and outerwear.
- Ankit Kedia:** And sir, my last question is regarding the commodity prices. Now with the prices stabilizing, do you see the need to take price action in the next six months this year? Or you think you'll take a call on the next financial year for any price action.
- Deepanjan B.:** I think with our current stability in product prices as well as the operational cost optimization that we have done, and also is ongoing, we don't see any requirement of any price touching in the current financial year. Of course, if the inflationary pressures across different parameters are beyond what we are planning, then there can be a different call. But as of now, we don't see any requirement of any price touch up.
- Ankit Kedia:** Sure. And sir, one last question, if I can squeeze in on, A&P spend. We are seeing your advertisement on the Cricket World Cup now. So if you can just say second half of the year, can we see higher A&P spend in the system versus the first half?
- Deepanjan B.:** Yes. So there are certain advertising expenses planned in the second half. And with that, we will be in the usual range of 4% to 5%, which we have been doing in the previous year. The first half, yes, our advertising has on the lower side, but yes, second half there is will be on the higher side.
- V. S. Ganesh:** Let me also clarify that all expense on marketing has been in line with our budget, which we have kind of realigned, recasted the outlook which we have for the year. So as I told you, we have taken enough measures to protect the margins and all these relevant expenses, we are not going to tighten, but we are taking enough measures to protect margin.
- Ankit Kedia:** So between volume growth and margins, your first focus will always be on margins than on volume growth?

- V. S. Ganesh:** Of course, we are looking at volume growth, but we don't want to buy sales. We want to have sustainable sales. So we are taking actions on that trend. So as I told you, if the market recovers, we will be the first one to bounce back. However, it is always better to plan for the worst, and deliver more than what we plan. Otherwise, our spends and other initiatives may go on a very optimistic mode. We would like to tighten our belt by considering that it may take more time for recovery, but we are prepared to bounce back to the market at the moment the buoyancy returns.
- Moderator:** Next question comes from the line of Sheela Rathi with Morgan Stanley.
- Sheela Rathi:** My first question was with respect to the salience of online sales has been strong this quarter at 30%. Is it fair to say that we were under-indexed on the online side, and that's why the growth number seems to be stronger on online vs. off-line? And are there any particular categories which are actually doing well for us on the online side of things? If you could give us some more idea as to what's happening there?
- V. S. Ganesh:** Well, the growth -- online growth has been across categories. There is no specific category, which has shown acceleration. It's good to see it is across categories. And it also shows the changing behaviour of the consumer. Of course, many of the actions which we have also taken to bolster the D2C is also giving its results, and there is much more to come. There is a lot of work which has been done on that side of the business.
- Sheela Rathi:** How should we think about you in general the growth road map for the overall business, will the online be a much superior growth business for us going ahead. What I mean to say is that in the next five years, should we think that online will be 20% of revenues or something versus where we are today?
- V. S. Ganesh:** With the changing consumer behavior, I think we should be prepared for it. And I think as an organization, we should remain agile. That's how I will look at it. I won't be surprised if online is in high teens or late teens in four, five years' time. And we should take enough measures in taking and nurturing that channel to take care of that opportunity. But for me, I will say we need to remain agile because it is very volatile out there. So we are ready, in fact, the initiatives we have taken on the D2C side, we are very happy with the initiatives taken, both the quality of the initiative and the speed or the pace at which we have gone ahead executing it. And we are already seeing the results, and there is much more to come on that side.
- Sheela Rathi:** Okay. And the second question was in respect to the women's innerwear you talked about that selling better. So if you could give us some more insights in terms of any particular market or what is driving a better growth there? And what is the delta in terms of growth of women's innerwear versus men's innerwear?
- V. S. Ganesh:** I think multiple reasons. I think one is the product and the price we have positioned also very sweetly there. The second is the campaign, which we did. The Knows me campaign, all these were -- are paying results. And I think we did create that awareness among our consumers on the category. Thirdly, we have done a lot of work as far as the store associates are concerned because this is one category where you need your sales associates to be more of solution providers rather than sales winner and especially for the bra category. And I'm proud of what

the efforts our sales team and our learning and development team have taken collectively to make them a solution provider to a consumer. And all these are showing results.

Sheela Rathi: Okay. And the final question was to Deepanjan with respect to the EBITDA margin. We believe that a lot of variable costs are not there at this point of time. So how should we think about the trajectory on margins once we start seeing some green shoots on growth recovery? Because I believe we still have uncertainty with respect to when growth will come back. But how should be the path for margins going ahead?

Deepanjan B.: See, as we have always mentioned, we are very comfortable in the range of 19% to 21%.

And given all the operational cost optimisation measures that we have taken and with the stability of the raw material costs, we are quite sure that, that range will always be maintained. But yes, at the same time, there are certain marketing initiatives being planned. There are also digital initiatives being planned, which are long-term benefits, but the investment phase will be starting now. So these expenses can impact the margins to some extent. But yes otherwise, we are very sure that the margins will still be in the range of that 19% to 21%.

Moderator: Next question comes from the line of Manish Poddar with Invesco Asset Management.

Manish Poddar: Yes. Just a couple of questions. So first one is, have you given the reason for rebasing the numbers?

V. S. Ganesh: Pardon?

Manish Poddar: So you've rebased the sales numbers in the base quarter, right? So I'm just trying to understand what is the reason for the same?

Deepanjan B.: As we explained that, I mean, our revenue from operations number that we report has an element of sales through our outsourced partners. So we typically supply raw materials to outsource partners, which they use and convert to finish goods and selling back to us. So earlier, this part of the operation that is sale of raw materials to outsourced partners was captured as other income from operations. So that has been regrouped as -- and netted off against the cost of those supplies. So that's the reason.

Manish Poddar: And why is it done now, and not done earlier? What has changed as an -- why do you change the accounting?

Deepanjan B.: It's more of an internal discussion and accounting standards applicability because at the end of it, it is raw material costs which we have sent and it has come back to us. So it makes more sense that it is grouped under cost of goods and netted off thererather than showing as part of the business.

Manish Poddar: Okay. And the second one is in terms of inventory. Have you given a split of RM versus FG in inventory? And how much of FG is in, let's say,athleasure?

- Deepanjan B.:** Yes. In the balance sheet, we do have a split of RM finished goods and work in progress. Yes, I think in the published financials that will not be there. But yes, in the annual report, we do give a breakup.
- Manish Poddar:** So would you be able to help me on the first half basis, what is the split between the three variables, lets suggest RM and FG, WIP is not or what is of concern. I'm just trying to understand end products which are not sailing and how much is, let's say, the inventory in the system from because of that? And both this is RM the margin benefit for that?
- Deepanjan B.:** Part of it is INR1,361 crores inventory that we have reported, finished goods is around INR698 crores, and raw material is around INR270 crores.
- Manish Poddar:** Okay. And just of this of FG, how much is of athleisure?
- Deepanjan B.:** No, that breakup we don't give
- Manish Poddar:** Okay. Okay. Fair enough. Sir, it would be helpful given the environment where we are in, and just a feedback probably, and it will be great if you take it on positive -- from a positive feedback response loop. A lot of numbers all of the place because of our interventions and the external market environment.
- And given that we are also seeing attrition at different levels, would be helpful if you can just give us clarity on certain category level trends or channel level trends, region level trends, some sort of data on a quarterly basis or a half yearly basis so that you -- one could appreciate the results much better. Because as investors, we are -- it just roll over to be very honest. I understand I don't want to do it on the earnings call, but it just roll forward of expectations, frankly. So it will be great if you can give some clarity there, that would be helpful.
- Deepanjan B.:** We take your feedback. We'll deliberate on that. And if that helps in a better presentation, we'll definitely consider it.
- Moderator:** Next question comes from the line of Sameer Gupta with India Infoline.
- Sameer Gupta:** I have two, I'll be quick here. So first of all, historically, you've seen kind of a seasonality in volumes that tend to be higher in the first quarter and then they decline sequentially. Typically, in 3Q, it is 5% down versus 2Q. Now my question is that post ARS implementation, which is now broadly complete, would you say that, that seasonality element in volumes have now reduced considerably? Or it is just a reflection of the end consumer demand, which is still likely to be there in our primary volume that we sell.
- V. S. Ganesh:** Yes. So there are two and yes, you are right, historically Q1 is the highest quarter. And I think it will remain so for some time to come. But even if there is ARS -- because that is when the distributor actually primes up inventory and that will continue, but it will be more democratic, as far as this spread is concerned. So in the past, most of the money flows in some of the core products and it has affected the discoverability of our hidden gems, the winners which have not got the field of play.

So now it will be much more democratic. And on your second part, yes, ARS is more or less done, but it will take time to for the hygiene to kick in because even though every -- almost majority of the distributors have signed into ARS and have made substantial progress, and it varies from category to category, the progress which we have made, but first is to correct the bloated inventory they have on hand, and it will take time for that correction to kick in.

Sameer Gupta:

Got sir. Second question, and this is on men's innerwear particularly for a category, and you said that trends are similar across the board. So basically, for a category such as men's innerwear for a whole year now, I mean volumes have been quite under pressure for a whole year. And even this is adjusted for the ARS impact that we had reported in the last two quarters of FY'23. Now unless consumers have downgraded or we are, as a company losing market share what exactly - - what else can this decline in volumes be attributed to? And if you could just help me the sales growth or volume growth for the EBO channel this quarter.

V. S. Ganesh:

Yes. Yes. So again, there are two parts on the -- innerwear side of the business, I don't think the consumers might have downgraded. I think the ticket size or the quantities they are buying has reduced because if you see even our peer companies are under pressure as far as volumes are concerned, so there is generally a control on the spend, and we can see this across from CG and many other industry because many spends have gone up, the health, the education, rentals without a substantial increase in their salaries. In fact, IT sector is also under tremendous stress. So all this is having an impact.

But again, with the overall economy and overall growth story, this can't last. So it's just a question of time as I keep telling, but I don't think it is definitely not the question of losing market share. In fact, we're also seeing some premiumization happening. So people who have the money actually spending. So it will come back, and you can see the peer companies also on the equal pressure and it's an essential product. So it should recover faster than any other category.

Moderator:

Next question comes from the line of Vikas from Equirus.

Vikas:

Just only one question from my side. While in a few quarters back, we were -- one of our key drivers was the distribution expansion. But given the current environment. And of course, the numbers also -- where you in the earlier comments, you said that some of the areas that we did enter into earlier was rolled back because now the office work and others have resumed. So what is our view with respect to the expansion on those addition right now, given the environment we are in. And yes, that is my question.

V. S. Ganesh:

We have tremendous scope for expansion because see, as you know, we have a huge headroom beyond teens as far as men's innerwear market penetration is concerned, single digit in other categories in which we are. And if you look at the number two three, in most of those categories, we are higher than number two, three, four combined. So you can imagine the headroom which we have and how fragmented the market is.

So there is enough room for expansion, and we will continue to expand because we are very, very optimistic about the long term. There's no question about it. And we are going to go all out.

These are temporary cases which any business will go through. We are going through that. But our long-term outlook is definitely positive. That's why -- we're also spending for the future as far as IT and other spends are concerned because these are all essential to nurture and grow the brand.

Expansions, right expansions will continue, and we are also taking enough efforts to make the distributors profitable so that we take it as our responsibility, and that is where we are working overtime on their inventory health and having a better management of the inventory. And that is very, very important. And that will actually help us to have accelerated expansion because there will be more and more partners who will see that this is a good business to be in.

Vikas: Sure. And sir, just other participant has asked could you say what would be the volume growth at an EBO channel level, that would be helpful.

V. S. Ganesh: Yes, sorry, I missed the that. We don't give the split, but I can tell you, EBOs have also recorded a de-growth, and this is where we say like this is more of market, not because of other factors of losing shelf space. And that is the right barometer or the indicator as to how the market is. So we are seeing that in EBOs also.

Vikas: Correct. Correct. Okay. But on a broad basis, would that be significantly higher or lower than the company level 8% that you have given?

V. S. Ganesh: Well, it is negative growth, but it is comparatively lower compared to the overall. That is because when it comes to EBO, EBOs has always been in ARS for a long time. So there is a much better inventory health in the system. And therefore, the degrowth has been softer. And as far as the general trade distribution is concerned, this is where ARS is very important. And now that it's reaching a maturity state, things should improve as we move forward.

Moderator: Next question comes from the line of Devanshu Bansal with Emkay Global.

Devanshu Bansal: Sir, your commentary indicates that team at least has done a good job and whatever challenges are there are because of weak macro. So my concern was regarding the several senior-level exits, first, Mr. Shukla; and now Mr. Sehgal. So I wanted to check what are the reasons for these exits? And what are the key guidelines for new hires? And also who will be taking care of their portfolios in the interim?

V. S. Ganesh: When Mr. Sehgal has decided to move on for personal reasons, and he has been in discussion with us for some time, and there is also a proper transition plan planned, and we do have enough leadership bench strength and we will be able to manage the business with the current management team, even with this resignation. So we can manage it. And this has been planned and this is happening in a very smooth manner and he is moving on for personal reasons. And Mr. Shukla, left for looking at better professional growth outside, and we wish him all the very best. And in the meantime, we do have our current team, which is managing, and we have also taken initiatives to hire a talent to manage the modern retail and the transition is in progress.

Moderator: Next question comes from the line of Rishi Mody with Marcellus Investment Managers.

- Rishi Mody:** So was there any ARS impact in the current quarter?
- V. S. Ganesh:** Not much because as I explained to you in the last meeting also, that was there in the very first quarter when the inventory was so bloated. Once it comes below the tank size, there is no impact. The only thing is we will get a better width as far as the product portfolio is concerned. So I can say from a consumer discoverability part of it and reaching our product to the market is concerned, there is only a positive impact.
- Rishi Mody:** Understood. But I think you referred to some disconnect between primary sales and secondary sales. So why is there a disconnect?
- V. S. Ganesh:** No. What I meant is with bloated inventory for some time, the secondary should be higher than primary so that the inventory of the distributor gets corrected. So that's where I'm saying it has not normalized fully. And if we had to help our partners to have a healthy inventory, we cannot push products more than what he can ideally have. So we have been managing that. So it has been a more focused approach of improving secondary sales and our entire sales team is now focusing on secondaries and primaries will automatically follow.
- Rishi Mody:** So for this quarter, was there a difference between secondary sales growth rate and primary sales growth rate.
- V. S. Ganesh:** Of course, secondary sales has been slightly better than primary. See, we have actually crossed that bridge. So there has been a slight increase in secondary compared to primary. And that's where I'm saying the inventory correction is happening. And now going forward, it should level out. I think we have gone past the difficult phase as far as those corrections are concerned.
- Rishi Mody:** Understood. And can you quantify the improvement in distributor inventory? What was it in Q2, Q1 and Q2 of last year?
- V. S. Ganesh:** I can say there has been a substantial improvement in the number of days of inventory, which the distributors are now currently maintaining. The number of days may vary from region to region and also category to category. So I'm unable to give a specific number, but across our distribution, there has been a tremendous improvement. And we also taken enough and more measures in improving our logistics, reducing our lead time, which also helps the distributor to tighten its inventories as far as the number of days inventory is concerned. But what I can say is there is an excellent improvement in those numbers, and it is in line with what we expected. So the project is working as per plan.
- Moderator:** Due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Deepanjan for closing comments.
- Deepanjan B.:** Thank you, everyone, again, for joining this earnings call, and wish you and family very happy and prosperity Diwali. With that, we can close this call.
- Moderator:** Thank you. On behalf of Page Industries Limited, that concludes this conference. Thank you for joining us. You may disconnect your lines.