



15 November 2021

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 2021.

Audio recording of the investor call is available in the following link:

<https://youtu.be/OwXywol3c9Q>

This is for your information and records.

Thanking you,

Yours truly,
For Page Industries Limited

Murugesh C
Company Secretary

Encl: as above



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**“Page Industries Limited Q2 FY22 Earnings
Conference Call”**

November 11, 2021

**MANAGEMENT: MR. V. S. GANESH – CHIEF EXECUTIVE OFFICER
MR. K. CHANDRASEKAR – CHIEF FINANCIAL OFFICER
MR. GAGAN SEHGAL – CHIEF SALES OFFICER
MR. RAHUL SHUKLA – CHIEF RETAIL OFFICER**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY22 earnings conference call of Page Industries Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. V. S. Ganesh – CEO. Thank you and over to you, sir.

V. S. Ganesh: Thank you so much and good evening, everyone. It's a pleasure to talk to all of you. Today I am joined by Mr. K. Chandrasekar – CFO; Mr. Gagan Sehgal – Chief Sales Officer; and Mr. Rahul Shukla – Chief Retail Officer.

Let me start the discussion by saying that the demand environment is as good as it can get and the continued increase in demand is, in fact, leading to a situation wherein our supply is very tight. We are firing all cylinders to increase the supplies, working hard on improving our capacities. This is reflected in the Q2 numbers. With mobility and market functioning being near normal, there's an improvement in out-of-home purchasing, and this is reflected in the channels like modern trade and general trade where we are seeing an increasing business.

Our Q2 revenue grew by 116% quarter-on-quarter and 46.6% year-on-year. Volume grew by 122% quarter-on-quarter and 43.6% year-on-year. At the end of September, all our channels are fully functional. We are happy to report that we have crossed 100,000 MBOs in October and 1000 EBOs in September. Our manufacturing and warehousing facilities have returned to normalcy, and we are taking all necessary precautions to ensure safety of all our associates. As we speak, 98% of our associates have at least got one dose of vaccination and 75% have got both the shots. The sales has been on an increasing trend since last year and we continue to see that in this particular quarter as well. Our branding efforts continue through multiple channels, including online, media and point of sales. E-commerce sales channel continues to be robust.

As you may know, in 2019 we have set up a dedicated sales team for athleisure business. This has resulted in rapid expansion of a distribution footprint even during the pandemic. This comes not just from new apparel stores, but even from our existing innerwear stores. The new retail identity in our EBOs lends itself beautifully to showcase our range of athleisure products. With the recent increase in demand for athleisure we have managed to acquire and serve a large consumer base for Jockey athleisure. We are very confident that with this increased demand, expansion of distribution, introduction of new and exciting products and styles, this category will continue to show increased growth year-on-year. Similarly, we are also seeing huge potential and growth opportunity in the women's category. In the last four years, we have built an extensive and strong product portfolio to specifically target women. Since 2018, we have launched sub-brand Jockey Women with distinct identity to communicate and build awareness portfolio meant for women. Women's business is growing at a very healthy pace, and we have aggressive plans to expand this business through focused initiatives. We believe that women's innerwear will be one of the biggest fillers for Jockey in our journey of becoming a billion-dollar company.

Our kids wear business continues to be a special focus area with very encouraging customer acceptance and feedback. We now have 51 EBOs that are exclusive for Jockey Juniors. We have also appointed Jockey Junior specific channel partners across 56 cities as phase one. Starting this year, we have a separate business vertical with a dedicated sales team and distributors to cater to women's innerwear and kids wear business. We continue to expand our depth within existing market geographies as well as strengthened distribution in markets which are witnessing expansion of mature retail formats. Jockey is now present throughout India in 2895+ cities and towns. We see great potential in the rural Tier-3 and Tier-4 cities as well and we are strengthening our distribution network in a phased manner in these markets.

We will continue a focused approach on our core business verticals of men's innerwear, women's innerwear, athleisure, both men and women, socks, and towels, and we are very confident of maintaining growth going forward. We continue to innovate in areas of customer acquisition, cost control, cash management, and investing in the wellbeing of all our associates.

I once again thank you for dialing in and I look forward to our interaction. I will now pass on to Mr. K. Chandrasekar, our CFO to give you the financial update. Thank you and over to you KC.

K. Chandrasekar:

Thank you very much. Ganesh. I am very happy to report the best quarter in the history of Page, both topline and bottom line. The previous best was last year Q3. So, this is definitely a very good performance for us. The Q2 revenues are Rs. 10,840 million. It compares with, Rs. 5,015 million of the previous quarter, which is a growth of 116%. But if you go back last year Q2 the growth is 46.6%. The revenue then was about Rs. 7,400 million. The EBITDA has grown 583% over Q1 and about 41% year-on-year, over the last year Q2, Rs. 2,334 million as compared with Rs. 342 in Q1 and the last year Q2 of Rs. 1,654 million. The EBITDA margins are 21.5% which again compares favorably with 22.3% year-on-year FY21 Q2. The gross margins are also 39% which again is in the ballpark of 39% to 40% which we have been achieving historically being purely variable cost associated with revenue. The Q2 PAT is Rs. 1,605 million which compares with just Rs. 109 million in Q1. But the last year Q2 we had Rs. 1,109 million which is a 45% growth. We are doing and maintaining all the practices which we have talked to you about on the balance sheet, the balance sheet strength of zero debt, the cashflow management, the OPEX controls, everything continues. We have not diluted any of those practices which have taken us here. The cash equivalent is in excess of Rs. 5,300 million and that has also grown compared with last year Q2 of about Rs. 4,000 million. The net working capital is about Rs. 6,100 million and this again compares with Rs. 5,100 million last year. The inventory was about Rs. 6,400 million and this again compares with a similar Rs. 6,000 million number last year June. And of course, this is in terms of number of days, it is much healthier because of the higher revenues, we have this kind of inventory and working capital. In terms of H1 also, you know that this year Q1 was better than last year Q1. So, H1 revenues are Rs. 15,855 million. This compares with Rs. 10,251 million for the last year H1, which is again a growth of 55%. The EBITDA margins are only 16.9% for H1 because of the Q1 impact, which also compares with 12.7% last year H1. And the H1 this year PAT is 10.8% and compares with 7% in the H1 of last year.

So, I request now we go into the Q&A please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: I had a few questions. First on the sales front. We have definitely seen very healthy growth in 2Q. Just wanted to understand if there's any material divergence between primary and secondary growth rates given that we have added a large number of MBOs?

V. S. Ganesh: Mr. Mehta, the secondaries are in line with primaries. So, actually the distributor inventory has improved with all the interventions which we had taken over the months.

Avi Mehta: So, despite the new additions, there is not material difference between the primary and secondary growth, got it, sir. Secondly, could you give us a sense on how growth rates have trended in October? I mean, the reason was I wanted to just get a sense of the impact of any pent-up demand on 2Q growth or in whatever you could help us understand that?

V. S. Ganesh: Well, October continues to be very robust, the demand has been very-very high for the last two quarters, and we see a similar trend even now. So, we expect this to continue.

Avi Mehta: And when you said expected to continue, do you think we are back, should we start looking at 20% annual growth rates on a normalized level as we go forward? Is that what you would look at, I mean, I just wanted to get some sense on the expectations as we go forward?

V. S. Ganesh: Mr. Mehta, there is so much headroom, there is so much growth possibilities which we are seeing, because from a penetration point of view when it comes to men's innerwear category, we are around 17%-18% and on all other categories we are in single digit, so there's so much which we can grow. And we have been also expanding aggressively our footprint in the marketplace. So, we are looking at a very robust growth. In fact, as you know we are facing a billion-dollar dream by 2026. That means the business should grow by more than 2.75 times of what it was last year. So, we are well poised to have the trajectory.

Moderator: The next question is from the line of the Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: On occasion of 1000 EBO in October, Mr. V. Ganesh elaborated company expansion plan and aim to reach US\$ 1 billion sales in five years. So, how much CAPEX do we need? And will you expand 20% CAGR to attend 1 billion turnover in five years? And how will you do that, since last four years we are in 9% topline only.

V. S. Ganesh: Well, I will take this question in two parts. You were talking about how much CAPEX we may need. We have been spending around Rs. 300 to 400 crores year-on-year on CAPEX and that will continue because, see, we are balancing between growing capacities in-house, and we also have a strong outsourcing wherein we have got a very robust supply base today there and they

are an extended arm of Page when it comes to process adherence, quality and service levels. So, we will continue that growth trajectory as far as expansion is concerned, the same pace as we had been doing before. As far as growth is concerned, we see the demand is so high that we have been working very hard in expanding our capacities to meet the demand. So, if you see, we are now shown a very robust growth and we are seeing signs of this continuing. And if you look at how we have increased our footprint in the MBOs, we started with 77,000 MBOs in the beginning of the year, and we have crossed 100,000 now. Our EBOs have crossed 1,000, so we have been expanding, we are working very hard on the rural side of the business also, and there are emerging categories like athleisure, the women's innerwear, these have huge traction. And the men's innerwear has also shown a very robust growth. It has been as good as all the other categories. So, we don't see any issue in growing at a high speed to achieve this and we have a very robust plan in place to achieve this target. So, for us, we are very-very optimistic and very sure of hitting these numbers.

- Moderator:** The next question is from the line of Nihal Jham from Edelweiss. Please go ahead.
- Nihal Jham:** Is there any divergence in the growth between the men's wear, women's wear and athleisure segments specifically in this quarter, is there a significant growth in any one of these three categories versus the other?
- V. S. Ganesh:** In fact, be it the men's innerwear or athleisure or the women's innerwear, the growth has been equally robust. In fact, all of them have clocked around 40% or more than 40% growth. So, it has been consistent across categories.
- Moderator:** The next question is from the line of Shalini Gupta from East India Securities. Please go ahead.
- Shalini Gupta:** I wanted to ask you growth is significantly to your MBOs. I think it's about a 17% growth over end of financial year 2021. I just wanted to ask you, where are these MBOs located as in, they are in the metros or Tier-1, Tier-2 cities?
- Gagan Sehgal:** We have a very-very robust plan of expansion of our MBOs, and it's not restricted to only one kind of a city tier. To give you a perspective, almost 50% of our MBO growth has come in Tier-3 and Tier-4 cities and equal number in Tier-1 and Tier-2. And our population, the Jockey target population, almost 45%+ population is in Tier-3 and Tier-4. So, wherever we feel that there are gaps and there is an opportunity, be it a Metro or a Tier-1 or Tier-2, going till the last mile till the Tier-4, we are expanding our footprint. And we are doing it in a very scientific manner that where there is an opportunity, where we need to penetrate, which is the town, which is uncovered, and we need to expand our footprint. So, we are doing it very scientifically. And the growth is across all cities tiers, if that answers your question.
- Shalini Gupta:** Just a follow-up question on this, I appreciate that you are expanding in a big way, but I am just wondering, how will expansion help you because Jockey products are available everywhere.

Gagan Sehgal: Ma'am, the nearer you go to the customer, the more the frequency of purchase. Now, if there is a Tier-4 town, where say the customer today travels to the nearer town which is say 20-30 kilometers away for his shopping and we are not present there, obviously the frequency is going to be low. So, we have to go as near to the consumer, and this is what we have done. And what we have seen is that our throughput of the outlet in the Tier-4 towns is almost at par with Tier-1 and metros. There is no subsidy given, we see that opportunity of the throughput, it is self-sustaining and the cost to serve is absolutely in lines with what it is in metros. So, it is helping us by getting nearer to the customer. At the same time, the range selling part, so if there is only men innerwear present, say, in a certain city, then our expansion of distribution footprint of the other categories to offer our entire range to the consumer. So, this is how it is helping us. Hence, if you look at in the pandemic period, we had expanded our distribution footprint by 60% from 65,000 outlets to 100,000 outlets right now. And most of them have given us a repeat purchase order in the next two months itself, which shows that there is an actual healthy tertiary happening in these outlets.

Moderator: The next question is from the line of Ashit Desai from Emkay Global Financial Services. Please go ahead.

Ashit Desai: Two questions. Firstly, if you can highlight what is the production outsource today and whether any supply chain challenges that we have faced like many other retailers have announced and also what measures we are taking for that? Secondly, we have been very optimistic on women's growth. We have also done some decent campaigns on it. Besides these marketing campaigns, if you can highlight some thoughts as to what we are changing in the category and what is the kind of growth aspirations or growth targets that we are looking in this category. And one last third question quickly, if you can highlight the scope of expansion and MBOs, we have already reached 1 lakh, where can we expect this number to go in the next 2-3 years. Thanks, that's it.

V. S. Ganesh: Mr. Desai, first answer about the outsourcing part of it and the supply chain which you were talking about – coming to outsourcing, we are at around 30% capacity as far as outsourcing is concerned of our total sales. Around 30%-33% is outsourced, the balance is produced in-house. And we have been growing the outsourcing side of it quickly because of the robust demand we are seeing. The fastest way we can increase capacities is through that. And we are also increasing capacities on the in-house side. Coming to the constraints part. Yes, we did have few challenges because of the change in demand pattern and some of the disruptions in supply chain. This was particularly bad during the first wave, but we were armed with the learnings from wave one. So, during wave two, I think we were able to manage it much better, and that's why we are able to see these good numbers there because there is always a lead time between sourcing, supplying and reaching it to the market. We did preposition raw material, we did create those buffers, we did nearshoring, we improved our supply base so that there is always a contingency plan. We strengthened our planning processes so all that we were able to manage it much better. Of course, when you have a long association with your supply partners, with good payment record and good track record, your suppliers become your partners, and that really helps and that helped us. And having in-house manufacturing capability gives a lot of speed and flexibility. So, in that sense,

I can say we were better off in meeting the demands of the market. I think you were asking about the women's innerwear segment. As you know we are a fashion basic and provide high value for money option and are growing in absolute volume and in brand presence. Our women's wear is very well received by all our consumers who would like the fit and the comfort. And we have been creating that awareness through all these campaigns as you rightly said. Our new products are well received with a lot of excitement in the market, and we have created the Jockey women distinct identity which really helps us to communicate to our consumers and build that awareness in the portfolio for the women. And we also have dedicated leadership team for the women, and we have also rapidly expanded the distribution network there. And as I told you, we are single digit as far as north penetration is concerned for women. And with our acceptance of the products and the quality of the product, the fit and comfort is so much demand that we are optimistic of seeing a very-very robust growth in this side of the business. And so much so, we are also augmenting lot of capacities for future in the backend to ensure adequate supplies to the business, both in-house and outsourcing and we associated with some reputed international suppliers who have great expertise in women's lingerie, who do for the premium brands globally. So, we have sourcing partnerships with them. And we also have a very strong manufacturing capability in-house to meet the growing demands.

Moderator: The next question is from the line of Perna Jhunjhunwala from B&K Securities. Please go ahead.

Perna Jhunjhunwala: Just wanted some qualitative color on the sales growth. So, two point of data, one is your volume on a YoY basis stood at 43.5%, if I heard correctly. And you had much higher growth on your distribution network. So, is it fair to assume that majority of the sales came in from the distribution expansion? And if you could give some color on the actual underlying driven demand against the distribution network for you?

V. S. Ganesh: You are right. Our volume growth was 43.6%. And it is through distribution, modern trade recovered substantially because the malls are opened. And also, our new EBOs are so exciting, people enjoy shopping there. It's more of an experience in there. So, it has shown a lot of robust growth. And e-com has also grown substantially. In fact, e-com used to be 2%-3% or 3% of our business before the pandemic. It is now 8% to 9% of the business. So, all the channels have grown and shown good traction.

Moderator: The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: I have a couple of questions. First is in terms of the CAPEX in H1, it seems quite low at only 30 crores odd vis-à-vis the 400 crores odd what you are saying for our ARS. So, is it that a large part of expansion is expected to come in the second half? And the second question is in terms of the pricing part. While we see the volume growth at around 43.6%, so which indicates that you haven't picked much pricing. So, if you can help us out what kind of pricing you have taken, what kind of inflation that you are seeing in the RM times and what's the plan going ahead?

V. S. Ganesh: The first question you are right, quite a big part of the CAPEX plan is going to happen during the second half of the year, because we did pause some of our expansions during the pandemic and with all these lockdowns, obviously we couldn't have much activity on the ground. But as you know we are rapidly increasing our capacity and we need to do that to meet the growing demand. So, quite a bit of the CAPEX is going to happen during Q3 and Q4 and we actually are having an expansion project in Odisha in full swing which is a major project for us. Regarding the price increase, yes, we did increase the price during the first quarter by around 4% to 5% and this is what we have done historically. We have always touched price around that range. With a lot of other measures taken by finance and all of us in controlling costs, having much better discipline, improving the hygiene, overall, we were able to manage our EBITDAs, we are keeping a close eye on the raw material price movements. So far, we are well under control. The raw material price increase for H1 was around 4% to 5%. This were in budgeted lines. This is something we factored in when we touched the MRPs. So, things are well under control as of now and we are keeping a close eye.

Moderator: The next question is from the line of Sameer Gupta from IIFL. Please go ahead.

Sameer Gupta: Just a follow-up on the previous participants question, you mentioned that RM inflation of 4% to 5% in first half, but other companies or in general cotton yarn prices are up more than 20%-30% is the general feedback we are getting. So, how are you able to offset this kind of unprecedented inflation via just cost productivity measures?

V. S. Ganesh: As I told you, Mr. Sameer, we have worked quite hard on budgetary controls and overheads control. We have worked quite a lot on increasing our productivity. All this is helping us to mitigate part of the problems. Secondly, we also had some good buffer. In fact, during the pandemic it is not only because of the price increase, we knew that the market or the supply chain would be disrupted, there will be uncertainty, so we were investing on stock. That came handy, it is coming handy even now. That's why we were able to more or less manage it better. Yes, you are right. The price increase which we are seeing is very-very unprecedented which is very volatile now. We need to keep an eye on it. I am not sure whether this increase can sustain, whether it will soften, only time can say. It has been very turbulent. So, we are keeping a very close watch on this.

Moderator: The next question is from the line of Trilok Agarwal from Aditya Birla Sunlife Insurance. Please go ahead.

Trilok Agarwal: Just two questions on the MBO expansion, could you tell us what is the total addressable market size in the number of MBOs, so you were at 100,000, what kind of market currently is now available for you? And second is that the other expenditure has gone up sharply, is there something that we should read into it? Any comment on that will be helpful?

V. S. Ganesh: I can request Mr. Gagan Sehgal to reply to the first part of the question. Gagan, if you can?

Gagan Sehgal: Thanks Mr. Agarwal. When you look at the addressable market more or less Jockey footprint is there in all 50,000+ population towns. But there is a large part of population that is also in below 50,000 towns. But at the end of the day, we are covering all the customer base. Our only endeavor has been to go nearer to the customer. As you would know that there are almost 3.5 lakh towns which are less than 10,000 population which you do not even have a proper market. But there is a Jockey customer there who comes to the main town to purchase. So, from that perspective, I think, the NCCS AB population is around 39 crores which is a Jockey target audience, and we are very well placed in terms of being near to the customer. Having said that our expansion by 60% of MBOs is to continue to go near to the customer. As I said, not only in the Metro, because even if in the Metro city we feel customer has to, say, travel 2 kilometers, we will want to go even closer to the customer to give them the right experience and convenience. So, we are present in terms of the entire TG, but our endeavor to go more and more closer to the customer to the last town will continue. If we are at 100,000 MBOs right now, there was a previous question, how much can it be? I would say we should target anywhere close to in the next couple of years to reach a 1,50,000 outlets and get closer to the towns which are even say around 25,000-30,000 population town.

V. S. Ganesh: Mr. Agarwal had a second question also which I think KC can clarify.

K. Chandrasekar: Thanks Ganesh. I think it's a good question. One of the things that we have is over the last year and even before that, most of our OPEX is variable. We have made it related to the volumes that we are doing. So, that's how we are able to retrace and retract the OPEX when the volumes are not coming. But this quarter the volumes have come. Most of these expenses, of course, we had a larger outlay for advertisement in this quarter because of the growing volumes and the more positive outlook on the going forward future. There are expenditures like, freight which are volume related, the e-com selling expenses, then we have comfort specialists in the malls and LFS which are open. We also have spent more and as I told you, advertisement, the warehousing. So, most of the increase that you are seeing are volume related. And of course, because of the growth we are also recruiting people, mostly at the front end. So, a little bit of increase is coming in the salaries. If you look at the backend, we would be spending more on power and fuel, on employee welfare, transportation. So, most of it is productive. I hope that answers your question, Mr. Agarwal.

Moderator: The next question is from the line of Onkar Ghugardare from Shri Consultancy. Please go ahead.

Onkar Ghugardare: I just wanted to know what is the capacity you are operating at currently?

K. Chandrasekar: We are operating at 250 million pieces and 80% capacity utilization, if that helps you.

Onkar Ghugardare: And what are your targets for this in the next three to four years?

V. S. Ganesh: We are expanding our capacities to meet the demand so we will be touching around 400 to 420 million in the next three years. And along with that is the expansion, we have been working on the outsourcing side of the business as well.

Moderator: The next question is from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: I just had one question that if we look at how our sales has progressed over the last couple of years, we have obviously incrementally seen a growth of say around 250 to 300 crores in our revenue base what we used to do a couple of years earlier. And over these last two years we have taken various initiatives that has obviously been in terms of the distribution expansion, getting into incremental categories like kids, and also there has been the e-com side of it that has taken off post COVID. So, if it's possible just to give a sense of where has majority of this incremental growth really generated from? Is it mainly the athleisure which has taken off, along with the distribution expansion and e-commerce, if you could just help give clarity on that, that would be really helpful?

V. S. Ganesh: Yes Nihal, athleisure has shown tremendous response. The market has received it so well. Especially during the pandemic, it was so well received, and we were able to penetrate and there are repeat buys, so we have much more loyal consumers now on the athleisure side of the business. So, I can say last year, yes, athleisure grew so much and really it was a growing category and it continues to be one. But this time all our categories have shown equal resilience, they have grown equally well. Athleisure has done exceedingly well, so is the case with all other categories. We are happy that all categories are showing that growth. And as I told you, since we are in single digits on all the other categories other than the men's innerwear, we actually have lot of potential, but the good news is men's innerwear has also shown very-very robust growth equal to all other categories. And as you rightly said, with the expansion of the footprints we are able to increase and capture the markets much better. And the other area has been e-com, it has grown close to 3 times. So that has really helped, and I think that trend will continue because the purchasing habits have changed. So, I think e-commerce will continue to grow for us.

Moderator: The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: I just wanted to understand how ARS is helping you to drive NBA growth and probably drive volume growth? And my second question is where do you see the men's innerwear segment, the revenue share momentum in the next 5 years from the current levels?

V. S. Ganesh: Men's innerwear has shown tremendous growth for us especially in the last quarter it has gone very-very well, and we are seeing a continued traction for those products even now. So, men's innerwear will continue to be a major category for us. And I don't see a huge shift happening because all categories are doing equally well. So, I don't know the equations will change but there is tremendous potential on the women's innerwear category because the market size is much bigger than men's innerwear market, the price, and the products, it has hit the sweet spot

and consumers have well accepted it. We do see that there can be accelerated growth thereby. Men's innerwear will grow well. We see much more accelerated growth happening on women's innerwear side because of the potential which it has got. Same is the case with athleisure. We are actually focusing on all these categories with equal focus and trying to push them and then coming with very exciting products. In fact, our new products are so well received from the market that we are working hard on expanding our capacities and augmenting more supplies. I think all categories are showing good signs. And to answer your question here, men's innerwear will continue to grow, and ARS is definitely helping us. ARS will be going to all ranges. We started off with this and it has helped not only ARS. Closely working with our distribution, we have worked very hard in improving the inventory health of all our distributors and we have also now improved our turnaround time as well as fulfilling the distributors are concerned, the reach to the market has become faster and we are taking more initiatives to reach them faster. With all that the inventory health will improve. So, that will again help us in having much better turnover.

Gagan Sehgal:

Can I just add one thing here? Your question on ARS that, yes, our secondary sales last year were ahead of primary, and they are in line with primary this year and that has also happened because of the superiority, see, all our outlets are serviced directly by the distributor salesmen because we are into direct sales. So, while we have increased the number of MBOs, with the ARS generation to fulfill the secondary, we have also increased the number of distributor salesmen which has helped us a lot. The distributor salesmen has gone up by double. So, the number of feet on street has gone up so the services is far better to the MBOs. The MBOs who used to give order once in two months or once a month are now giving us orders twice a month. So, this entire direct service through increase in manpower and ARS run which is helping us drive secondaries and MBO expansion is really helping us, to answer your question.

Moderator:

The next question is from the line of Akshay Thakkar from Fidelity Investments. Please go ahead

Akshay Thakkar:

Two questions from my side. One, could you just help us understand the 4% to 5% price hikes that you have taken, in your view does that covers the kind of inflation that you are seeing in yarn cotton, etc., or because you might have locked in some rates that you might need to make some prices later. Question two was, could you just refresh us what's the kind of GST rate that you see on your product. Those are two questions from my side.

V. S. Ganesh:

Mr. Thakkar, if you have seen our Q1 Q2 numbers, in fact, especially in Q2 our EBITDA is in line with what we always decide to be, we always work on a 20%-21% EBITDA. When we budgeted, we did consider this raw material price increase and we cost our MRPs based on those assumptions. So far as I told you before, we have been under control. But I do agree since it's very volatile we need to keep a very close eye on it. And if there is further very substantial increase in raw material price then we may have to pass on part of it to our consumers, but we are trying our best to manage it and continue to be a value for money brand for our consumers. So far, we are well under control, but we are keeping a close eye on this. I think KC would be able to enlighten you further on the GST part of it.

K. Chandrasekar: GST, most of our products are below Rs. 1000 MRP so we have an output tax of 5%. If you look at the input taxes, for example, the man-made yarns and fabric have rates of 12%, 18% and of course the services have come under the ambit of GST. Therefore, if you look at the revenue, the output taxes are 5% and the input taxes are somewhere between 5.5% to 6%. So, this is what is called as the inverted duty structure. It is not just for Page or apparel industry, there are a lot of industries and associations have represented what happens to that extra money which keeps accumulating and is with GST authorities, when will that be refunded. Of course, recently some indication has come. One of the options is to increase the price of the output to whatever that is 6% let us say, then we have enough input to pay the output. The MRP will go up but in terms of financial impact on us, it would be a zero because the excess GST is in the balance sheet. If the input tax, GSTs are reduced, then that will also benefit us. This is quite an issue in terms of revenue for the Government and no notification has yet come. But if you ask vis-à-vis Page, the P&L it will not be affected.

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

Ankit Kedia: A couple of questions from my side, one is on the number of distributors. While we have increased our MBO presence by 14,000 for the quarter, number of distributors continue to remain same at around 4,100 odd distributors. So, is the productivity of the distributors significantly increased? They are going more in the interiors, 50,000 populations points so their expenses are increasing. And second question is regarding the EBO target. In one of your interviews you had said, you want to double the EBO count to 2000 in next 2 to 3 years. Do you sense cannibalization happening between MBO and EBOs and between EBOs as well, which could slightly impact revenues going forward?

Gagan Sehgal: Thanks for the question, Ankit. In fact, I am happy that this question came along. While we are growing at a very healthy pace, our call was that we will ensure that our distributors also grow along with us. And what is distribution? Distribution really is not just the number of distributors. It is the number of distributors salesmen on the street. It is the number of MBOs, so one. Our number of MBOs has grown by almost 60% in the pandemic period but the number of distributor salesmen have grown by a 100%. Our distributor and our secondary has consistently been equal or higher than primary, which means that distributors' ROI is healthier than ever before. And the same set of distributors with the same set of fixed expenses today are getting a higher revenue. So, I would say that all the distributors are in a happy space as of today because the distribution expansion has happened. All they have had to do is invest in the manpower and that manpower has more than double paid them back with the kind of growth that we have had. So, we are very happy when we look at the distributors' ROI till the last mile. Our CAT-A distributor CAT-B, CAT-C and our call it very clear, if Page Industries is growing, we are having a healthy growth then our distributors grow with us. Just because we are growing, we will not increase the number of distributors unless it is really required. But we will definitely increase the number of distributor salesmen, which has happened. And I am sure this will be the feedback from the distributors that their ROIs are better than ever before, and I think they are in a very happy space.

And yes, we extend all support to them to make sure that our distributor ROIs are healthy. That answers the first part of the question, I will hand it over to Rahul for the EBO part.

Rahul Shukla:

Thanks, Gagan. Mr. Ankit if you would have observed in the last couple of years our rate of expansion of EBOs has grown up around 150 to 200 stores every year, despite the constraints of pandemic. There is no reason why this pace cannot be continued. In fact, it would be accelerated. Our intention is to accelerate this pace. Despite all the expansion that we had done with 1000+ stores, our retail presence is still in only 350 cities. So, there is an enormous opportunity for us to expand and increase our reach and penetration. We will certainly look at doubling up our EBO base over the next 4-5 years. With regards to your second question on cannibalization as we expand, there are all kind of consumers who are shopping from different places. Consumers are shopping from e-commerce. People are shopping from MBOs. They are also shopping from EBOs. And we believe these are all synergetic. Our intention and our strategies is to reach out to every channel and every place where the consumers are shopping and give them a wow experience and take up leadership positions in those channels. All these channels particularly MBO because they are synergetic in nature. So, EBO acts as more of an advertisement for the brand, so that when the consumers go to MBO, they end up buying a Jockey over there. And there is a lot of recruitment of new consumers, from competition, from elsewhere that happens in the MBO space, which then over a period of time become loyal consumers and then start helping the EBO sales. So, both of them actually work very well in tandem and in synergy. And considering the fact that we have a no discount policy, the products are sold exactly in the same price everywhere. There is no cannibalization. A little bit of cannibalization might happen when the stores open near to each other but nothing that affects viability of profitability. Does that answer your question?

Moderator:

The next question is from the line of Varun Singh from IDBI Capital. Please go ahead.

Varun Singh:

My question is, how do you think about the emerging competition from so many new companies? A lot of MNCs coming into India. How are you thinking about these emerging competition from so many new players? So given now Amazon delivers to more than a 99% pin codes of India and on e-commerce platform you have got so many new companies coming and competing and trying to disrupt categories. Not just, e-commerce even a lot of MNC companies they have come out with their private labels and customers are saddled with options to buy from. And quality and price has always been not a great tool to compete. So, in a category like innerwear, in both men's and women's category, how are you thinking about this the emerging competition? Sir, your view will be a very useful in terms of how we should understand especially this gaining market share and growth in the market. If you can name one company which you believe is a respectable competition to you? That's it from my side.

V. S. Ganesh:

Thank you so much for asking that. As the product quality is matched with an equally strong distribution network, we are actually in a very good position to tap big potential opportunities in India as the total market is expanding at a very rapid pace. The middle-income group, if you see the growth, there's room for competition and for us to grow. There's space for more than one

pair to start with. We always feel competition is good. It keeps us nimble; makes ourselves very competitive. And the growth in the market is so rapid that we are looking at this inward and we are seeing the opportunities to grow, and we are working very hard on that. We have also been expanding into the rural Tier-2, Tier-3 cities as well. Hence, we are very confident of maintaining growth going forward. We don't feel that competition is going to kind of affect our growth because if we are very-very passionate about our products because if we give the right quality and the right value proposition to our consumers and if we can keep offering them exciting products and if we can reach them much better, as we are seeing now our products they are in a huge demand, and it will continue to be well received. Along with that it is the new categories which are going to be growth engines for us. For us our athleisure, we have just taken off. We have a long way to go there. Even though it is well received, even though we are leading in this category and if we look at it inwards, we are just at the starting point, we have to do much more there. So is the case with the women innerwear as I had told you. We have just embarked on the juniors. There is so much which we need to do and there is so much market out there that we are looking at it very positively and looking at how we can grow with those opportunities which are presenting. And that's why we have also been expanding our footprint very aggressively. Now, when you talk about credible competition, rather than naming the brand, I can say how we look at it. We look at in two ways. We have competition from each category, we may have one brand which can be a few brands which are competing with us in the women innerwear segment, and it can be a different set of brands when it comes to men's innerwear and so is the case with athleisure. And bras again, it's a category by itself where it can be another set of brands which may be competing. But we are always focused on how we can dominate the market, be much ahead of the competition so that we can see this. Finally, the competition is with ourselves today. And how fast we can grow because the market is there and how can we compete with our mindset and grow much faster is, what we are looking at. I hope that answers your question. And when it comes to what you said about Amazon, yes, but we are there in Amazon. I know that there are less entry barriers for the brands to come in. We keep looking at it very closely because who would have imagined Paytm or Google Pay would be a competition for one of our banks, today they compete with our banks. If you asked this question sometime back, bankers would have talked about some other banks. Today that is how the market is. It is it's very volatile, it's very agile and we need to keep an eye on it. So, we are continuously at it. We are very passionately working on having the right product at the right price and place it rightly and service our partners well and as long as we do that right, the potential is tremendous for us to grow.

Moderator: The next question is from the line of Ashish Kanodia from Ambit Capital. Please go ahead.

Ashish Kanodia: Going back on the distribution expansion, during the call there were 2-3 points which were highlighted that first Jockey is already present across all the target consumers. So, whenever we are expanding the MBOs, it is basically we are going closer to the consumer which also means that there is some cannibalization in sales from the existing MBOs. And I think when I look at the volumes per retail outlet, I looked at between FY15 to FY20, the volume per retail outlet or per touch point has actually declined by almost 25%, 30%. So, when we talk about ROI for distribution as well as for the MBOs, can you please help me understand that if there is no

cannibalization then why is the volume per outlet declining and how do you think about the ROI or what is the feedback you are getting from the MBOs?

Gagan Sehgal:

Thanks Ashish. I am not very sure about the throughput per outlet. Yes, after pandemic what has happened is some key outlets which were in the high street, which were high contributors have definitely gone down because the consumer behavior has changed. But having said that there are some smaller set of outlets which have grown phenomenally well. So, all these outlets which have de-grown, some key outlets will eventually come back on track as and when there is reverse migration and again consumers come back to the key cities. That is why we have seen majority of the growth in Tier-3 and Tier-4 cities as well at this point of time. But when we look at the throughput per outlet, it is very healthy and what helps when we do the MBO expansion is we are able to offer a higher range. Now, if we depend, say, on a particular MBO or we do not have competition within that MBO would only keep a certain range, but we have so much more to offer. Some MBO might just keep men range but not the women and not juniors, for example. So, our distribution expansion is then keeping in mind that we do not just open a MBO in an arbitrary manner adjacent to the existing MBO but by getting closer to the consumer where the consumer finds it difficult, and he has to travel. So, as I said, we have geotagged all our outlets on the map. We know exactly in which town and which village, and which place our existing outlets are, where the consumers where there is a decent population, and they need to really cover some distance to come there and hence to offer convenience to the consumer we are managing our distribution expansion in that scientific manner. We have not really seen the degrowth in the MBOs where we open a new outlet, to be very honest. I will have to again re-look at the data. But to answer your question definitely it has happened because of some key outlets not firing because consumers are not going to highly densely populated markets right now. It is just a matter of time. But through distribution expansion we have not seen any dip in terms of any MBOs. We have only seen all of them are thriving and the throughput is healthy everywhere. That is our observation to be honest.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Chandrasekhar – CFO for closing comments. Thank you and over to you sir.

K. Chandrasekhar:

Thank you very much. As always, this earnings call is something we look forward to from Page and we learn a lot equally and for your support and faith in Page management. I hope all of you had good festival and hope to see you soon. Thank you very much.

Moderator:

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

(This transcript has been edited for readability purposes)