`

February 15, 2024

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 31 December 2023.

Audio recording of the investor call is available in the following link:
https://youtu.be/BPwQjsM_46M

This is for your information and records.

Thanking you,

Yours truly,
For Page Industries Limited

MURUGESH C
Digitally signed by MURUGESH C
Date: 2024.02.15 10:33:15 +05'30'

Murugesh C
Company Secretary

“Page Industries Limited

Q3 and 9M FY'24 Earnings Conference Call”

February 08, 2024

**MANAGEMENT:** **MR. V.S. GANESH – MANAGING DIRECTOR – PAGE INDUSTRIES LIMITED**
**MR. DEEPANJAN – CHIEF FINANCIAL OFFICER – PAGE INDUSTRIES LIMITED**
**MR. KARTHIK YATHINDRA – CHIEF SALES AND MARKETING OFFICER – PAGE INDUSTRIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Q3 and 9-Month 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 of Page Industries, for his opening remarks. Thank you, and over to you, sir.

**V.S. Ganesh:** Thank you. Thank you so much. Ladies and gentlemen, a very good afternoon to all of you. On behalf of my team at Page Industries, it is my pleasure to welcome you to our Q3 and 9-Month FY'24 Earnings Call. I hope you have had a chance to review the numbers and presentation uploaded on the exchanges.

Let me begin by contextualizing our discussion against the broader backdrop of the textile and apparel industry and then focus on specific company's performance. The industry has navigated through a period marked by mixed demand trends, with the overall demand for the retail industry being subdued as consumer expenditure has shifted towards travel and leisure.

The initial performance in October '23 was tepid, with the concentration of wedding and festive demand in November '23 and a noticeable bottoming out in December '23. The innerwear and the Athleisure industry faced subdued demand in Q3, leading to a decline in sales volume. Notably, our sector experienced an accumulation of excess inventory, contributing to challenges within the overall ecosystem and fostering certain unsustainable business practices in the market.

Despite all these challenges, our commitment to sustainable sales practices remains unwavering. We are actively implementing measures to uphold operating margins and optimize inventory in ensuring a strategic and responsible approach in navigating the current market conditions.

Against the backdrop of a resilient economic trend in Q3, we are pleased to announce that we have recorded a robust profit after tax growth with a modest revenue expansion for the quarter. These positive outcomes were supported by the hard work put in by our teams, festive activities, and improved inventory health within our distribution network.

Our commitment to technology, brand promotion and expanding market reach remains unwavering with a simultaneous focus on maintaining comfortable operating margins. However, the prevailing macroeconomic challenges and subdued market conditions led to a marginal year-on-year revenue growth, evident in a 2.4% increase in revenue and a 4.6% increase in volume during Q3.

Despite encountering these challenges, our performance in Q3 was strong enough. Nevertheless, the year-to-date December figures were coloured by the first 2 quarters of the year and therefore indicates a decrease in revenue and volume by 4.6% and 5.8%, respectively.

In line with our objectives, we continue to invest in enhancing consumer reach and experience, diversifying and enriching product offerings, focus on the operational excellence and digital transformation. A diligent control over expenses has ensured strong operating margins without touching product prices.

Our primary focus has been on enhancing productivity within our supply chain. We embarked on a journey to modernize our distribution management system, aligning with our commitment to continuous improvement.

With a distinct emphasis on optimizing operating expenses, it is noteworthy that despite a marginal increase in revenue, we have achieved an impressive 23.1% growth in profit after tax during Q3. This underscores our strategic effort in maintaining a balanced approach to financial performance and focusing on operational efficiency.

Our distribution network expansion remains in line with our plans. As of the end of December, we have a network of over 110,000, MBOs, 1,394 EBOs and 2,300-plus LFS outlets. We are also directing our attention towards metros and Tier 2 and 3 cities.

Our e-commerce channel witnessed a substantial growth of 28% in year-to-date December, reflecting evolving consumer purchasing habits and a commitment to bolstering our online presence. We have several initiatives being executed to further strengthen our D2C channels.

We continue to invest for attaining our long-term objectives. Our strategic focus encompasses multiple factors, and that includes intensifying the general trade distribution, expanding large format source and exclusive brand outlets, growing D2C business, improving customer experience, strengthening product portfolio, continuous improvement in partner and consumer engagement and brand building and ensuring a robust supply chain.

Joining me on the call today are Mr. Deepanjan, our CFO, who needs no introduction; and Mr. Karthik Yathindra, our Chief Marketing Officer. Mr. Karthik has been associated with us for close to 8 years, and he was looking out the critical functions like marketing, product development, product management, supply chain.

He was also instrumental in the launch of Jockey Juniors. Currently, Karthik also heads the sales functions in Page Industries. We expressed a sincere gratitude for your unwavering support and trust in Page Industries.

We eagerly anticipate the opportunity to address any questions that you may have and provide further insights into our performance during this call. Additionally, I extend warm seasons greeting to all, wishing a prosperous and fulfilling year ahead.

I once again thank you all for joining this call today. And I would now request our CFO, Mr. Deepanjan, to take you through the numbers for the quarter before we open the floor for the question and answers. Thank you so much, and over to Deepanjan.

**Deepanjan:** Thank you, V.S. Good evening, friends. I hope you are all keeping well. Thank you for your participation this evening. I'm pleased to report that Page Industries has delivered an improved performance in Q3 of FY'24.

To take you through the key financial highlights for Q3, we recorded sales volumes of 55.2 million pieces, which was a growth of 4.6% year-on-year and resulting in a revenue of INR12,288 million. With revenue growth by 2.4%, our EBITDA achieved was INR2,352 million, which has grown by 19.1% Y-o-Y. Our Q3 EBITDA margin was 18.6%.

Investments in digital transformation and marketing initiatives did impact our EBITDA margin for this quarter, which was largely balanced with favourable fabric costs and operational expenses optimization. PAT for the quarter was INR1,524 million, which was a growth of 23.1% Y-o-Y and the PAT margin was 12.3%.

Coming to the YTD December numbers. YTD December revenue and volume was INR35,863 million and 162.8 million pieces. With growth in Q3, YTD December degrowth in revenue and volume was 4.4% and 5.8%, respectively. EBITDA was INR7,051 million, which was lower by 3.2%. PAT was INR4,610 million, which was lower by 6.5% Y-o-Y.

Inventory at the quarter end was 12,436 million as against INR15,953 million at the beginning of the year. Inventory days was 95 as against 122 days in the beginning of the financial year. Improvement in inventory days is in line with our efforts to reach optimum inventory levels by the year-end.

Net working capital was INR9,278 million as compared with INR7,680 million at the end of Q4 FY'23. Working capital days was 71, which was 59 in Q4 2023. The increase in net working capital is largely because of our healthy cash balance. In the year beginning, we had borrowings and now we have a healthy cash balance.

To summarize our financial performance, we remain focused in driving operational excellence and capitalize on growth opportunities. We continue to make investments in marketing, digital transformation, and process improvements to deliver value to consumers efficiently. We can now discuss all queries that you have.

**Moderator:** First question is from the line of Avi Mehta from Macquarie. Please proceed.

**Avi Mehta:** Sir, I had a few questions, especially on inventory, on demand and on margins, if I may. So first, on inventory, I would love to know how the inventory levels at distributor and retailers and they how far off are they from normalized levels. Also on your point about bottoming out of seen in December, is that because the discounting pressures have peaked out? Or are you seeing Jan being better? If you would kind of clarify that part, sir?

And lastly, on margin profile, I would love to hear your thoughts on how should we look at this given this quarter is closer to the bottom end of our 19% to 21% range. And how should we look at it going forward? These are the 3 questions, sir. If you could please help.

**V.S. Ganesh:** Thank you so much, Mr. Avi Mehta. As regards to inventory is concerned, there has been an improvement in the distributor inventory levels. Thanks to the successful implementation of the ARS. However, I must say these early days and it has not come to the levels which we desire as these changes take time and it's an ongoing process.

But there is a healthy trend which we are seeing and it's on track as far as ARS implementation is concerned. So that is one good news. And I should thank the team for working hard and engaging with our partners in making this project a success and making this the most important project for us to transform the sales function in the organization.

As regards the margins are concerned, yes, we have taken a lot of measures to protect the margins. And as I keep telling, we are very comfortable at 19% to 21% zone and we are just shy of that. There are 2 major factors. One is subdued demand and leading to less-than-expected top line, and that has put some pressure on the margins. And we hope this current retail environment will improve in the coming days and we are all geared up to seize opportunities as things improve.

But we were able to control and protect margins with a lot of measures which we have taken as regards the control and operating expenses are concerned, and also managing our inventories very, very prudently. So that is regarding the demand part of it. And I'm sorry, what was the third one, Mr. Mehta?

**Avi Mehta:** Sorry, you said towards bottoming out seen in December on demand side. So is it in terms of discounting pressures having peaked out? Or is that Jan has seen an improvement? What was that comment supposed to mean? I was not sure, sir.

**V.S. Ganesh:** Early days, Mr. Mehta, because the market continues to be lukewarm even though we could see some modest growth. If you see across sectors, it continues to be lukewarm. In fact, apparel seem to be most hit. In fact, what I can see, apparel, the growth has been a very low single digit overall across categories, and while jewellery has recorded 12%.

So it continues to be in that state. So we expect Q4 maybe on those lines, though it is early days for us to talk about Q4. But see, from our point of view, we would like to brace ourselves for the worst and control the expenses, work very diligently to protect our margins. And once the market recovers, we want to be out there and seize the opportunity. But the current outlook is not so buoyant, and we are very, very cautious.

**Avi Mehta:** And sir, the distributor, would you be able to give any number over there versus 100 that you wanted. It's 110, 120. Where is it in terms of the inventory levels?

**V.S. Ganesh:** Karthik, you want to elaborate on that?

**Karthik Yathindra:** Yes. Mr. Mehta, this inventory levels at the distributors varies across categories. What I can share is that from where we started in the beginning of the financial year, there has been an improvement of about 3 days in inventory holding. This is in spite of a marginal decrease in year-to-date revenue, which means the impact on decrease in inventory has been much higher, which of course varies between categories, between innerwear and outerwear, between men and women.

Overall, what the auto-replenishment system has helped us to is, a, bring down the overall inventory level; but more importantly, improve the inventory health of the distributors. So the mix of the inventory that distributors are today holding is much better when compared to where we were in the beginning of the financial year.

This in a way helps in better terms in two ways: both in terms of increasing opportunities for secondary sales as well as because of the inventory normals are coming down, the inventory turns improves and helps in better ROI for the distributor.

**Moderator:** Next question is from the line of Nihal Mahesh Jham from Nuvama. Please go ahead.

**Nihal Mahesh Jham:** Sir, my first question was certain feedback has been telling us that we are contemplating -- implementing a new software and also bringing some changes to our ARS. Just wanted to confirm that are there any thoughts on these lines both for the EBO as well as for the general trade distribution channels specific to ARS?

**V.S. Ganesh:** See, we are continuing to implement ARS, and that is a process wherein we actually manage the hygiene in the market and it's really operational. It is true that from a tech support point of view, we are implementing a much improved distributor management system, which will help the entire frontend supply chain and our company in having a more robust system, better insights, real-time information, which will help us and the partners to bring in more efficiency to the business.

**Nihal Mahesh Jham:** So does it create any difference versus earlier when, say, the ARS has been implemented with some of the distributors? Is there no flexibility provided to them in terms of using the assortment?

**V.S. Ganesh:** No. You see, that is totally different. Here, we actually look at the assortment plan and for ARS, we look at the intelligence which we have based on the past sales, what the market demand is. And then we recommend based on the rate of sales and the potential demand, we recommend an ideal mix to our distributors, which will enable them to order as per the recommended mix.

So ARS, as Karthik rightly said sometime back, will help in having a much better quality of inventory, and therefore, a much improved inventory turn for the distributor, thereby resulting in a much improved ROI. So that project is ongoing, and we have reached a good level of maturity as far as ARS implementation is concerned.

**Nihal Mahesh Jham:** Sure, sir. The second question was that you have been highlighting about the e-commerce as a channel and specifically your own website. Are you looking at significantly upping the spend and maybe taking a larger share on your own website versus, say, marketplaces? And if I can just slip in my third question and close is that the reason for the lower realization on a Y-o-Y level.

**V.S. Ganesh:** Karthik, do you want to take that?

**Karthik Yathindra:** Sure, sir. Our investments as far as marketing is concerned between, let's say, online channels and off-line channels has remained consistent over the last 3 years. Today, anywhere between 13% to 15% of our overall marketing investments is a portion to the e-commerce business. And as you may know, this is broken into performance marketing as well as brand-building initiatives.

Performance marketing is what directly results in revenues in the online channel, and this contributes to about 75% of our overall spend in the online channel. So the strategy towards investments in online remains consistent. We haven't changed it in the bygone year. We don't foresee a change in this either.

**Nihal Mahesh Jham:** Sure. And sir, just on the realization?

**Karthik Yathindra:** The realization will obviously be a function of the mix within the e-commerce business. As far as the overall realization to the organization, we don't see there being a major shift because of our spend towards e-commerce.

**Nihal Mahesh Jham:** I was actually referring to looking at the ASP, which is down 4% Y-o-Y. That is what I was looking into.

**Karthik Yathindra:** No. ASP is a function of the category mix. While there has been impact on the overall brand revenues across categories. We've seen it being a bit more pronounced in the Athleisure segment. We've also been quite aggressive in our expansion when it comes to the access of this business. So the mix in the category is what has led to erosion in ASP to the tune of 4%.

**Moderator:** Next question is from the line of Tejash Shah from Avendus Spark. Please proceed.

**Tejash Shah:** Sir, we have observed many retail companies now that expanded their network very aggressively during COVID or immediately post-COVID. Those are the one experiencing under performance and excess inventory. Can we highlight any specific cohort in our network experiencing this excess inventory and slowdown that you have called out?

**V.S. Ganesh:** Well, the excess inventory, actually the impact more has been on the Athleisure. Because right after the pandemic, there has been a huge demand for Athleisure and both our distribution and retail partners were also taking calls based on the sudden surge in demand they were seeing.

And as it post driven shopping and once back to office happened and things return to normalcy, the demand also normalized. And that actually had a big impact as far as the inventories are concerned. Overall, the inventories across categories have been high. But as we can see, it is highly pronounced in the case of the Athleisure category.

**Tejash Shah:** Sure. So historically, I know we have not done any such clearance sale in a big way. But do you think that this kind of inventory buildup that happened because of this once in a lifetime event of pandemic? Do you think that we can instead of dragging the slowdown and excess inventory so for long, we can take some kind of clearance measure? And then let's get back the inventory to healthier level and then we can start from there? Or do you think we'll let it go the way it is happening on the demand side?

**V.S. Ganesh:** Well, see, these are healthy inventory. luckily, we don't work on seasonal products. And so none of this is redundant inventory or these all will sell. Now the ARS is one initiative which we took so that we wanted to ensure that what is pumped into the pipeline is based on true demand rather than the gut feel, which is there with our partners and what a person can feel from this gut, we wanted it to be more scientific. And that is better and hygienic way of bringing the inventory to healthy levels rather than discounting and other practices. Because this will have a long-term impact as far as the brand is concerned.

And as Jockey, as Page, we always believed in sustainable growth and we believe in the right practices. And we truly believe it is better that we take measures wherein the system helps to correct rather than taking short-term measures which may bring us immediate results because it will always boomerang back in the long term. And if you can see our inventory levels compared to peer companies, it's well under control. The good news is, even though it is high, it is not at alarmingly bad levels. So our distributors are not seeing any credit loss, which is affecting our sales. Even it is as before.

So in that sense, it is not affecting our sales. It is only that we had to do allow some corrections to happen in the organic manner for which we are working on.

**Tejash Shah:** And so according to your assessment, looking at current demand environment, how long will it take?

**V.S. Ganesh:** That is anybody's guess because it depends from partner to partner, how they have positioned the inventory. And second, it also has a factor of the category in which in fact, I see the Athleisure may take a bit more time. But I don't think that is going to affect our top line immediately. Once the demand comes back, our top line should be improved. So we are not losing to competition or we are not losing our shelf space. It is just a question of the waiting for the demand driver. I don't think inventory is playing spoil sport as far as we are concerned.

Of course, the inventory overall in the ecosystem, because of the competition and generally the inventory is very high, that is having an impact on our sales more than our inventory. This is where there is a lot of discounting, a lot of liquidation, a lot of clearances happening. And this is having an impact on us. But that also, I can see it was much more intense in Q1 and Q2, that the intensity has come down drastically in Q3. Karthik, you want to add more color to it?

**Karthik Yathindra:** I think your initial statement about the quality of the inventory is very pertinent. Even if we liquidate the inventory that the partner or the retailer is holding, we will be replenishing it with the same inventory because the inventory is not outdated. It's just that the level of holding of inventory seems to be high. And even there, I think the bigger issue is probably demand at a tertiary level.

Because even year-to-date, we don't see a significant difference between our primary sales performance versus secondary sales performance. It is to the tune of those three days of inventory, which I had earlier mentioned. Barring that, it's not been very significant. So rightly pointed out by the Managing Director, it is about revival of demand that we are hoping for. And that will, in a way, be the answer also to how much time would it take for us to reach acceptable inventory norms.

**Tejash Shah:** And last question. If I compare our presentation data of MBO, we were at somewhere around 120,000 network retail store in fourth quarter, which has come down to 114,000 in this quarter's presentation. So is it a planned correction that we are making here? And will there be additional rationalization as we go ahead?

**V.S. Ganesh:** Thanks for asking that, Tejash. Yes, it is a planned initiative. We have seen a minor drop in non-traditional outlets that was bought into the category during the pandemic. So barring that, we are not seeing any significant drop in numbers of outlets. But as the market has not been very buoyant in the last few quarters, there has been a few outlets with lower throughput. And these were small outlets which has had an impact. So that's where some level of rationalization which is required has happened.

But I don't see this as we move forward. We will continue to expand, but it will not be because of the pressure we had during the pandemic where we had to expand and be where the consumer is. Now we can look at an expansion where the potential is and make it reachable and viable for the distribution partners. So we will continue to expand. But the drops which we have seen is mainly because of the opening, which we had in the pandemic. And that rationalization has already happened.

**Moderator:** Next question is from the line of Akshen from Fidelity. Please go ahead.

**Akshen:** So sir, on your portfolio you've discussed how Athleisure post-COVID has been slow. I just wanted to check between your men's innerwear and women's innerwear portfolio. If you could throw some color as to which one is doing better right now. And particularly, on women's innerwear, if you could just sort of lay out your strategic agenda over the next 2 to 3 years? What are the key focus area for the management over there? That's question one. I'll wait for the answer and then ask my second question.

**V.S. Ganesh:** Yes. So as you know, yes, because of the impact we had in the first 2 quarters, we have seen degrowth across categories. There is no exemption there. Of course, it has to be more pronounced in the case of Athleisure. And Karthik, you want to talk about the women's innerwear, the strategic initiatives which we are taking?

**Karthik Yathindra:** Yes. So I mean, it's a stated strategy in our past communication that there are a few categories which are being given specific focus in order to capture the market potential that is out there. We believe our penetration levels in the women's innerwear business is far lower than what we've managed to achieve in the men's innerwear business, and hence, there lies a potential for us to capture the market. With regards to this, anything that we do, we do to improve business, be it new product introduction, be it innovation in the product portfolio, be it marketing investments and work on the marketing side.

There is disproportionate investment and focus towards the women's innerwear segment. This also has to do with the infrastructure that we are building in. In the last couple of years, setting up of a dedicated sales team and since then building an independent distribution network to serve only the women's innerwear category has paid a good dividend.

And the focus for this category and the strategy in treating it independent as a company of its own within the company is the strategy that we will be following to try and enhance our penetration levels within the women's innerwear market.

**Akshen:** Okay. Sir, my second question was around short of gross margins level. Until, I think, a year, 1.5 years back, you had a separate disclosure on how you see gross margins, which is a little different to what the reported gross margins were. But I'm sort of just going by what the reported numbers are right now. This year, you've seen softness in commodity prices.

Your selling price hasn't fallen as much, but gross profit as the way you've disclosed in exchanges are actually down on a 9-month basis versus last year. How should we be thinking about gross margin this year, next year? And if you could just help us understand how is the gross margin movement been? I'm not looking at this quarter, just generally 9 months versus last 9 months. Optically should have improved but doesn't seem to have improved.

**Deepanjan:** For product cost, which is a summation of material cost and labor rates and their efficiency. So over a year-to-year basis, we have been gradually seeing our production cost of goods improving or coming down. One, definitely because the fresh fabric that we have involved over last few months at a lower cost. And also, we are able to achieve a significant improvement in efficiency in our production. So the new production that has happened over the last few months is definitely at a lower cost, which is reducing our inventory cost per piece.

At the same time, I mean, since we have elevated inventory levels, we are still serving largely from our accumulated inventory. So the fresh production, which is happening last few months is gradually getting into the end, but a large proportion still remains out of our inventory which we're already having at a higher cost. So the gross margin levels of 53% that we're looking at is more or less similar to what was there last year on a 9-month basis. A quarter-to-quarter basis, you would have seen there is 1% or so improvement in the gross margin in the current quarter.

On a sequential basis, quarter-to-quarter, yes, there is a slight reduction in the reported gross margins more because of we do periodical sales initiatives and sales investments. So that's what affects our reported gross margins quarter-to-quarter. But as far as product cost is concerned, the favourable raw material cost and the improved efficiency is gradually benefiting the inventory cost, and it will reflect in better margins going forward.

**Akshen:** Okay. One last question from my side, sir. Given that raw material prices sort of fell versus last year and are steady now, and given where your gross margins are, how do you see the need to take pricing actions over the next sort of 2 to 3 quarters? Will the prices be what they are, get higher volumes and then tinker with pricing? Or like past, we're okay taking up pricing even if sort of commodity prices are not really moving? Just your thoughts around pricing, that would be great.

**V.S. Ganesh:** As of now, as we see and given the trend in the raw material costs, well of course, there are inflationary pressures and input costs as well as other input costs. But as of now, we don't see any requirement of any price adjustments or price touching for the next month or even next year.

At least if there is a tremendous increase in the input cost, then we have to rethink our pricing decision. But right now, we don't think we'll be taking any price increase in the near future.

**Moderator:** Next question is from the line of Videesha Sheth from Ambit Capital. Please go ahead.

**Videesha Sheth:** Number one is the momentum of new addition have also slowed down. So is it only due to number of exclusive woman outlets reducing from 78 odd stores to 62? Or are we tapping out on the new addition scope?

**V.S. Ganesh:** Karthik?

**Karthik Yathindra:** I'm sorry, I didn't get the second part of your question if you don't mind repeating.

**Videesha Sheth:** Sure, sure. So the momentum of EBO addition which earlier used to be in the range of 40 to 45-odd stores, it has slowed down to 18 stores towards this quarter. So just wanted to clarify that, is it due to a reduction in the exclusive woman outlets or that reduced from 78 to 62? Or are we even capping out on the scope of new addition that will happen for us?

**Karthik Yathindra:** Okay. I think we continue to keep pace as far as EBO additions was concerned. There might be a normalization across quarters within a year. We typically target to open anywhere between 150 to 200 EBOs every year. I don't believe this year will be any different. We are well on par to have 150 to 200 stores opened in this fiscal as well.

As far as the comment on the women's store is concerned, there have been few stores which we've had to consolidate which were erstwhile operating at 2 stores and just into each other, which we've taken calls to consolidate and bring it under one roof. So from mere count point of view, that would reduce from 2 to 1.

But as far as physical service is concerned, that retail area continues to be under the Jockey brand. So you might find some portion of that having an impact on the overall number. But in terms of physical presence, we continue to expand at the rate that I just mentioned.

**Videesha Sheth:** Got it, got it. And the second question was that the in-house manufacturing mix has increased to 80% compared with 70%. So which portfolio is it pertaining to? And what was the capacity utilization as well?

**V.S. Ganesh:** So it is across categories because our manufacturing capabilities lies across categories. When the demand was down, the first thing we wanted to do to optimize our operating cost is to spread our assets. And this is the very reason we have outsourcing, so that we can gear up or bring down the capacities based on the demand and optimize our capacity utilization and manage operating cost. So that's why you saw percentage increase.

So you might have seen a percentage increase in in-house manufacturing vis-à-vis outsourcing. So we continue to operate at optimal levels. We are utilizing as before COVID, same levels of around 80% capacity utilization, which is what we are having and which is pretty healthy as well as the apparel industry is concerned.

**Moderator:** Next question is from the line of Amar Kalkundrikar from Nippon India Mutual Fund. Please go ahead.

**Amar Kalkundrikar:** Sir, you shared that overall volume was up about 5% during the quarter. This is at overall company level. So does Athleisure still continue to be in a sort of heavy decline mode?

**V.S. Ganesh:** Yes. Athleisure comparatively has higher volume degrowth because it had a much higher base last year because the demand was very, very on the upside last year. And compared to that base, it has had the highest impact amongst all the other categories.

**Amar Kalkundrikar:** Okay. Secondly, sorry to harp on this inventory part again. You shared that there has been a reduction in inventory days of 3 days at overall level when you measure channel inventory. Is it possible to share how much is the reduction in Athleisure sort of inventory days because that's where the problem has been?

**V.S. Ganesh:** Well, there the reduction has been more than 3 days, but it was highly bloated. So it is still way above the desired level, and that's where we are working very hard on.

**Amar Kalkundrikar:** And is it possible to share how far it could go in the sense you said that trends are healthy, but we are not at desired level yet. So how much more to go ballpark?

**V.S. Ganesh:** See, at what speed we can actually normalize depends on how demand picks up in the market. If it picks up faster, we can actually correct this much more faster. So how far or how long will it take is dependent on how the market demand improves, and also at a distributor level, how the mismatches has been. But more or less, I can see it is coming down the way and if this trajectory continues, it will be healthy.

But the main thing, what I can say, the distributor was blocking its funds at a higher inventory days. So as the inventory days are coming down, it is releasing more money for him to buy meaningful inventory and thereby through the help of the inventory, which is the most important thing. And that has already started happening, and that will actually help the category to grow in the coming days.

**Moderator:** Next question is from the line of Gaurav from Axis Capital. Please go ahead.

**Gaurav:** So my first question is with regards to again the gross margin levels, the EBITDA margin levels. Now if you see the employee cost on an absolute basis, that has actually declined by 9% on a Y-o-Y basis. And this has been quite a trend in the past few quarters as well. So is it the reason because we have a higher level of inventory and the production is less, and because of which the employee cost is lower? And probably once the production starts to pick up, we will see the employee cost coming back?

**V.S. Ganesh:** Not exactly because now there is also a lot of operational efficiency which has kicked in. We have got smarter in outsourcing. Overall efficiencies have gone up substantially. And therefore, we are able to produce more with less people, and that definitely helps in improving the employee cost. And there have been a lot of other initiatives taken the operational trend to control overheads. So that is also helping. We also take a lot of initiatives to reduce the throughput times.

And in fact, we have taken away more than 3 weeks of the throughput from order to delivery. And this is also helping us.

So it is not just because we are producing less. In fact, we continue to produce as before. As I told some time back, we continue to sweat the asset and utilize our capacity. Whatever reduction has happened in the outsourcing side of it. And the margin improvement is mainly because of 2 factors. One is the input cost have softened from where it was before. That is the raw material costs. And second is the operation of overhead control along with productivity improvements.

**Gaurav:** And sir, next question is with regards to the Athleisure part again. I mean post-COVID, we have also seen a lot of players also coming in India Athleisure segment. And the pricing for those Athleisure players has been very competitive versus what being offered by us. So do you also see an impendent that being an impendent on clearing the Athleisure inventory from the market, apart from the slow demand that we are seeing?

**V.S. Ganesh:** Karthik, do you want to take that?

**Karthik Yathindra:** Sure, sir. Well, overall, from a pricing of a product with the value that the product delivers, I believe our products do justice to the MRP that it is commanding, even at a competitive scenario. There has been efforts from the product development team as well as the product management team within Page to make sure that we add more value to the product, keeping the price where it is. So as a value proposition to the consumer, I believe even in a competitive context, Jockey products out there command the price that we charge the consumer.

What has, in fact, affected or impacted the brand to an extent in the category is the final selling price to the consumer, which over the last few months has been much lower than the stated MRP. This is because of the high level of inventory that all players seem to be carrying and this is a tactic being employed to flush out inventory. However, like the Managing Director has just mentioned, this seems to have been a lot more intensive in the first half of its financial year. We've seen not much evidence of this in quarter 3.

**Gaurav:** But clarity here that the command that you said for the accounting that's below MRP, is it for the industry or for us as well?

**Karthik Yathindra:** It's largely for the competitive scenario. We do not encourage discounting of Jockey products either through our exclusive brand store or through the retail partners through which we reach our consumers. Our pricing mechanism already ensures that the affordability is built in, in our MRP pricing, so that the consumer sees value in the product. There is no reason for any retailer to pass on a discount out of their earnings to better sales of Jockey products.

**Gaurav:** Sure. And sir, just one last bookkeeping question. If you can help us on what would be the cash balance as of the December '23.

**Deepanjan:** As of December '23, we have around INR300 crores of cash.

**Moderator:** Next question is from the line of Ashish Kanodia from Citi Group. Please go ahead.

**Ashish Kanodia:** Sir, my first question was on the demand side. So on the earlier comments, one, you said that on the accessory side, Page has been kind of aggressive. And then you also talked about Athleisure kind of seeing higher degrowth during the current quarter. So when you look at the current quarter volume growth of 4.6%, if you kind of exclude the accessories, right? So, has the innerwear, both women's and men's have seen any growth or there has been a decline in that as well?

And second part on the demand trend itself is within the overall in Athleisure wear. Can you provide some color in terms of have you seen that the either the lower price point products or the higher price products are doing good? And also in terms of especially in case of Innerwear, is there any change or shift in demand where the single piece pack or 2 piece packs are doing better versus a 3 piece stack? That would be my first question.

**V.S. Ganesh:** Yes. So demand is what we have seen growth across categories. It has been generally good Q3 from a modest growth point of view. And men's innerwear has also shown growth. And Karthik, as far as the latter part of the question as a single piece part, two-piece part, do you see any trend which you can add color to?

**Karthik Yathindra:** Yes. So what we've noticed is a lot more value-conscious selling is something that we see as part of consumer behaviour. So I think you had 2 questions, one is about whether there has been consistent growth or degrowth across price points. We do see our premium products performing better than our economy entry-level products, which kind of hints towards consumers being a lot more value-seeking. This is also corroborated by the multipack. We do see better performance of multipacks when compared to single pieces in the past.

**Ashish Kanodia:** Sure, sir. And the second question is on the competitive intensity side. So one is the sales incentive during the current quarter seems to be almost the highest level we have seen in the last 24 quarters. So what led to this higher sales incentive? And secondly, when you said that during the first of the competitive intensity in terms of discounting, etc., was higher versus the last quarter. Do you believe it could partly also to do with the fact that even after discounting given that the overall sentiment or the market environment is muted, that might be a reason for lower discounting? Or is there anything else?

**Karthik Yathindra:** It's a function of both. I think, firstly, on the sales incentive bit, I don't believe we've gone disproportionately high. In fact, for quarter 3, if you look at it quarter-on-quarter, would be better in terms of the incentives. Obviously, there are a few seasonal products which fell in quarter 3, for which historically, year after year, there have been sales incentives and schemes attached to it because of which you will see some level of delta. Other than that, it's not been abnormal to what we've done in the past, either in the same year or in the previous years.

Sorry, your second question was on?

**Ashish Kanodia:** When you look at the 3Q discounting...

**Karthik Yathindra:** Yes, yes. I think it's a function of 2 things. One is, obviously, the demand has been muted. But the other is, like we mentioned earlier, there seems to be buildup of inventory across the industry. From our understanding, it seems to be a lot more pronounced in competition when compared to our inventory holding. So it's been seen as a means to try and fuel demand in a way and also to liquidate high inventory.

**Ashish Kanodia:** Sure, sir. I had some clarification on the sales incentive, but maybe I will just take it off-line.

**Moderator:** Next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:** Sir, there is some level of optimization that we are doing on the general trade side in terms of lower retail outlets, which should, in a way, benefit our EBO channel. So I wanted to check what are the like-to-like growth trends for EBOs, if you could sort of provide an outlook here.

**V.S. Ganesh:** Yes. So the first part of the question, so I don't think the channels in work cross-purpose or cannibalize the business. We are very, very careful in our expansion. So we don't believe if the MBOs come down, it will actually boost, if the MBOs come down, the EBO business will improve. Because we are very, very careful on these aspects of the business. And that has helped the brand to grow and scale up and that's also helped each of the channels to coexist and be profitable, not only for us, but for our partners as well.

As far as the EBO like-to-like growth is concerned, it has been more or less in line with the overall modest growth you have seen. And this is where I say the market is not all that point. Because the EBO like-to-like growth is the key indicator as to how demand pick-up is and what is the sentiment on the ground. And it has been more or less similar to the kind of volume growth we have recorded for the brand, per se. So it has not been that encouraging as far as the EBO like-to-like growth is concerned.

And this is mainly because of two reasons. The footfalls have reduced generally, and this is something we are now seeing some small improvements. And second is the basket size has also come down. So people are buying only what they need and they are not buying all that what they see. And so in that sense, the consumers have tightened their belt. And as I told you, there has been much more spend on the luxury segments. And there has been quite a lot of easy loans which has come in and the EMIs have gone up. So these spends have become tighter.

And we are looking forward to how the interest rates are going to be in the coming months and how, especially IT sector, how the increments are going to be and how the employment pick up is going to happen in the coming months because the long-term story on all these aspects are positive. The economy is growing at a very healthy pace. So these are transient period or temporary phases, but we are keeping a close watch on these aspects.

**Devanshu Bansal:** All right, sir. And secondly, economy players are quite optimistic on front-loading of growth in Q4 due to an early Eid this time around. But your commentary is not indicative of such trends. What is the reason for this?

**V.S. Ganesh:** Well, we are going by what our demand planning team say they are very close to the ground and they sense the market, and we are going by that. Of course, Eid does help. So those are factored in all Q4 budgets are concerned. We do consider all that. And I don't think those growths will be in line with what it was in the past. Because generally, it's subdued. So I don't think it will be as high as it was before.

**Devanshu Bansal:** Okay. Just one bookkeeping question on what was the e-commerce growth specifically for Q3?

**V.S. Ganesh:** We have recorded a 28% growth. So that has been a very, very healthy growth for us.

**Devanshu Bansal:** This is specifically for Q3 or for 9 months?

**V.S. Ganesh:** For the year.

**Deepanjan:** Yes. For the year, it was 28%. For Q3, it's around 39%.

**Devanshu Bansal:** 39%?

**Deepanjan:** Yes.

**Moderator:** Ladies and gentlemen, due to time constraint, we will take this as the last question for the day. I would now like to hand the conference over to Mr. Deepanjan for the closing comments.

**Deepanjan:** So thanks again. Thanks, everybody, for joining. It was quite insightful discussion. So we look forward to certain interactions with all of you. Thank you.

**Moderator:** Thank you very much. On behalf of Page Industries Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.