



11<sup>th</sup> September 2020

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

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

Dear Sir,

**Sub: Transcript of Investor call**

We herewith enclosed the transcript of investors call for the financial results for the Quarter ending 30<sup>th</sup> June 2020.

This is for your information and records.

Thanking you,

Yours truly,  
For Page Industries Limited

Murugesh C  
Company Secretary

Encl: as above



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“Page Industries Limited  
Q1 FY2021 Earnings Conference Call”

September 03, 2020



**ANALYST: MR. NIHAL JHAM - EDELWEISS BROKING LIMITED**

**MANAGEMENT: MR. VEDJI TICKU – CHIEF EXECUTIVE OFFICER &  
EXECUTIVE DIRECTOR – PAGE INDUSTRIES**

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



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*September 03, 2020*

- Moderator:** Ladies and gentlemen, good day and welcome to the Page Industries Q1 FY2021 Earnings Conference Call hosted by Edelweiss Broking 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 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. Nihal Jham from Edelweiss Securities. Thank you and over to you Sir!
- Nihal Jham:** Thank you Raymond. On behalf of Edelweiss I would like to welcome you all to the Q1 FY2021 Conference Call of Page Industries. From the management today, we have Mr. Vedji Ticku, Executive Director & CEO and Mr. Chandrasekar K, CFO. I would now like to hand over the call to Mr. Vedji Ticku for his opening remarks. Over to you Sir!
- Vedji Ticku:** Thank you very much and good evening everyone and thanks for attending the earnings call today.
- On the revenue front we unfortunately had a degrowth of 66% in Q1 and volumes degrew by 69% in the same period. While the quarter which went past saw a significant impact of the COVID-19 lockdowns, operations partially resumed from last week of May, we almost lost close to around a good 2/3rd of the month to lockdowns. As the year is progressing, we are witnessing an increasing trend of sales in January with a greater demand in especially on the e-commerce side.
- Athleisure product category continues to show a significant increase in demand, as I said earlier in the last call. On the marketing front our approach continues both online, media, and point of sales. We are focusing our marketing efforts more towards the digital space which has seen a very recent spike in sales and more importantly at the point of sales.
- On the capacity planning front, while we have kept investments on capacity expansion on hold at this point of time, we will resume to invest in capacity expansion from Jan 2021 towards doubling our capacity from the existing 260 million pieces in next four, to five years.
- On the product side and focus on the categories, while we will continue our focused approach on our core businesses as usual, men’s innerwear, women’s innerwear, athleisure both men and women, socks and towels continues to be our focus areas.
- We introduced face masks during this quarter and we got some very good positive reactions on that and the current indicators are pretty positive.



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The kidswear business continues to be the special focus area. As I have been saying in the last couple of calls, the trend continues to be encouraging with good customer acceptance and feedback. We continue to have a focused field in marketing strategy for the Jockey junior business with an independent sales team across the country to create the focus of this business. We also have a special marketing plan to support this initiative.

On this note I would Mr. Chandrasekar to come in and share some financial impact of this.

**K. K. Chandrasekar:** Good evening everyone. Thanks for being on the call for Page Industries Q1 FY2021 Earnings Call.

The Q1 results have been impacted by COVID as already explained and with respect to the revenues we are down to 2848 million versus the last year Q1 of 8350 million. The PAT has also reacted to that it is (396) million and PAT margin is down to (13.9%) as against 13.3% last year Q1. Normally we deliver a gross profit of about 39% year-on-year, quarter-on-quarter, but that has also been impacted and the gross profit is down to about 23% because of delay for absorption, as you know we have continued to take back all the labor which has reported and we have paid everyone in full including salaries, wages, everyone was paid fully during the lockdown and in Q1 as well. So, as a result of the labor absorption we have a lower gross profit. We also had to provision about 107 million towards slow moving goods and hopefully when the inventory moves purely based on aging then this amount could come back.

So we also had the overall absolute numbers and as far as the overheads are concerned have significantly reduced due to the Opex and cost controls, which we can talk about later in the call, but in terms of revenue these percentages are up, we also contained some of the advertisement expenses and products. The overall operating cost was effectively reduced about 1717 million as against 2731 million of the Q1 of last year. The cash and cash equivalents have increased because of better working capital management, by about 56% and during the quarter it reached 1734 million. We continue to have an extremely strong balance sheet, we have not borrowed any funds during the period, the net working capital also has reduced to 4103 million as against 5254 million due to lower inventories and fairly good collection from the sundry debtors.

So, with this I propose we go to the Q&A session, please.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Trilok Agarwal from Nippon India Life. Please go ahead.



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**Trilok Agarwal:** Sir this is Trilok Agarwal from Birla Sun Life. I wanted to just hear your thoughts on how the situation is panning out, as just trying progresses and unlock happened across country. Even in the last call you had mentioned about some kind of recovery which is visible. So, in that context we think these numbers are really weaker so just comments on that particular aspect.

**Vedji Ticku:** Yes, you are right, this is first quarter results and the working days were only 33 working days which were available in the entire quarter. And of course there were all these lockdowns and changing rules with every passing day which have not helped the business and the cost. But things have considerably improved post the first quarter, as you know the subsequent months have shown amazing traction and they are doubling the months we are going through which were just well by it will almost passed our last year's number. So that way the things are shaping up and we have to be basically now ready having the proper inventories to supply the market. So, there is a positive pull from the market as we speak.

**Trilok Agarwal:** And Sir, so our checks that suggest outerwear or this doing better. What sort of growth or any indication that you can give us in context of the segment wise? Let us say on an index of 100 where are we, that will be helpful without getting to exact number.

**Vedji Ticku:** No, that is fine, so we generally avoid segment wise details. But I can tell you that the Athleisure business is on a growth trajectory and we are basically trying our best to sort of supply to the demand which is coming up. Athleisure business is something which is really on a growth path.

**Trilok Agarwal:** In the initial remarks, we have been mentioned that gross margin has impacted because of labor fixed cost. I mean, we just could not understand that because I believe that is only a part of improvement while our gross margins get impacted because of that.

**K. Chandrasekar:** Gross margin is after material, the factory wages, and the factory overhead so naturally when we are keeping all the labor and paying all of them and with lower revenues as you know the absorption will be lower and there is a result for the gross margin declining. Have I answered your question?

**Trilok Agarwal:** I will take this offline Sir, thank you very much, I will take this offline.

**Moderator:** Thank you. The next question is from Avi Mehta from IIFL. Please go ahead.

**Avi Mehta:** Just wanted to kind of follow-up on the last question about the recovery. You did suggest, you are almost close to last year's levels. So, would you be able to share what exactly was



the number say versus 100 for say August because you have given the trend for openings, but it would help understand the underlying demand trends.

**Vedji Ticku:** What I was trying to say Avi was that because the trajectory from the time when we took off starting the last week of May. So there was a lot happening more of the market which are opening up, there were areas where we were getting orders, but it was not reaching them because the supply goods was an issue and the logistics was an issue, all that has been sorted out by the time passed through July and August and August we are almost close to what we had in the last year that is what I was trying to say so in terms of numbers what we achieved in August last year the previous financial year we are very close to that so basically what I am trying to say is that we are smoothly but steadily reaching to that towards normalcy.

**Avi Mehta:** And the second thing Sir you if I retain the last call you had highlighted towards margin tailwinds from increasing Athleisure sales and operating expense control. Now we have seen in this quarter cost control clearly I just wanted to understand whether the Athleisure listed margin tailwind has also played out and related what sales level you believe is when you see it in the flowing through gross margins and the absorption of cost kind of getting taken care off.

**Vedji Ticku :** I would say that it is Athleisure, because as we have said earlier, our gross margins are we would take it as a aggregate the total of innerwear and outer wear since it is more about the cost optimization which we have done in this period which would have sustained in that account.

**Avi Mehta:** No, but would it be fair that outerwear would be a better gross margin business.

**Vedji Ticku:** No, I would say both our inner wear and outerwear at par in those concerns.

**Avi Mehta:** Are at par okay, so that would not and Sir lastly this Speedo there is news that is coming in but the review that they are doing could you share what exactly is happening on that front and your comments on that would be very helpful Sir.

**Vedji Ticku:** Are you talking about the Norges Bank thing.

**Avi Mehta:** Yes.

**Vedji Ticku:** I am sure that most of our friends in the analysts and the investor community would know about the Norges backend and their execution which in the past. They are in companies like American Power, Airbus, British American Tobacco, in India Reliance Power, Tata Power,



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in the past where they have excluded them, it is very unfortunate that someone living in some part of the world writes so damaging a report about the company even without having the complete details verified. We will vocally deny this unverified and outrageous allegation made in this report. So basically this is reaction from a Reuters report which they have I think reached out to the international company and they have said they would like to sort of look into this matter so that is where it stands.

**Avi Mehta:** Sir just any response if you could put out whenever it is comfortable would be very helpful because it will help understand and put your point of view across to the investors and our shareholders that was the only request I had. Thank you very much Sir.

**Vedji Ticku:** Yes, we will be, of course we will be because these are, I just said these are completely unverified and outrageous allegations. As most of you would know I feel this in this standing of 25 years, and we are religiously following all laws of the land including and particular labor laws. So we very clearly know what we are doing, and this is unfortunate that this is something like this has come up,

**Avi Mehta:** No I mean exactly Sir, I mean it is basically helpful that as well that is the only request I will come back in the queue for the remaining questions Sir. Thank you very much Sir,

**Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

**Bhargav Buddhadev:** Sir, we understand that Page has taken price hikes recently. So just wanted to know what could be the rationale which affected price hikes in this kind of subdued environment.

**Vedji Ticku:** So now this is, I would not call it a price hike this is there are very few products which we have touched it is not that we have touched across all the products, there were few products which were below our threshold EBITDAs, so those are ones we have and just we do this on every year so and as whatever we have been done even after that our products are still value for money. So, it is a very marginal touchup of prices here and there just to maintain our EBITDA level.

**Bhargav Buddhadev:** Secondly, I mean if you look at some of the month trends the companies like say Lux, Dollar and Rupa they have reported very contrasting revenue performance compared to Page, but given that Page has also sort of recently expanded their reach in those cities just wanted to have a sense in terms of have you also seen similar kind of performance in Tier II, Tier IV cities or compared to what these large brands have reported wherein majority of them are sort of reported single digit for revenue decline.



**Vedji Ticku:** So, see so what I would say is first of all I obviously have no reason to sort of comment on the other companies numbers I am not sure how there is, they therefore surprising and we were anywhere surprise look at those. Coming back to the contribution see what happens is we have a very strong contribution of sales coming from Metros and A class cities...

**Bhargav Buddhadev:** What would be the share Sir broadly?

**Vedji Ticku:** So that is what I am coming to so when I look at the overall share of 60% of our business comes from the six main metros, including Ahmedabad in that and the mini metros which we call basically as A cities which are after the all the metros. Now that especially the metros where Bombay and Chennai, Ahmedabad and Pune they were effected pretty badly in the first quarter, so we have almost a 10% or 12.6% decline in our contribution in those cities. Which by this time when I am talking of YTD numbers they were almost back to the contributions of last year with those cities so that probably one of the reasons that our numbers are different because our dependency on Metros and A class cities is obviously are much higher than all the mass brands.

**Bhargav Buddhadev:** So you do not think we have sort of lost market share as far as the operations in metros and classes cities etc.

**Vedji Ticku:** No, that is what I am trying to say. In fact the 10% market share or the 10% contribution for the others which is the B&C cities grew by 10% for us because that was the number which was lost in the metros and the A cities. So in terms of the contribution, our contribution also in the other cities which I had explained earlier outside metros and A cities was higher in this period.

**Bhargav Buddhadev:** Would it be fair to assume that in those other cities would have sort of reported a single digit revenue decline or even a growth maybe if you can help us with that.

**Vedji Ticku:** No I would not comment on that, but I think one thing we have to keep in mind here so even in the other cities which are B cities and C cities where we are available and most of the mass brands are obviously available, we even in those markets our price points are very different where most of them actually the price points end for them that is where we start, so I would not think we eat into each other's market shares the mass brands and us.

**Bhargav Buddhadev:** And the reason on I was dwelling upon this is I hope we are not seeing any sort of downgrading in terms of the portfolio where consumers decide to wear we have been higher brand or sort of now aggressing into much better trend.





- Vedji Ticku:** No, no, not at all, in fact our ASPs we have grown by almost 12%.
- Bhargav Buddhadev:** And lastly in terms of is it possible to share how has been the operating cash flow in this particular quarter and how was it on a YoY basis. Thank you that is it from my side.
- K. Chandrasekar:** The cash flows have been healthy I always talk about the cash and cash equivalent. This compared with the previous quarter and that of Q1 of last year so already mentioned that the working capital is down by nearly 1 billion or a 100 Crores compared with Q1 of last year and is down by about 400 million to about 4100 million this quarter, the cash and cash equivalents let off any temporary CC limits are now up to almost 1730 million as compared with 1109. So we have been doing very well in terms of collections also from the customers and as well as we have been managing to pay the vendors because many of these small and medium enterprises have much more of a challenge in getting workers back to their units producing supplying as well as paying their wages and salaries and Opex so we have been very supportive to all of our vendors and have tried to go the extra mile to pay them and having done all that still the working capital as you have seen from the numbers is pretty efficient and therefore the cash flow management has been good.
- Moderator:** Thank you. The next question is from the line of Ritesh Gupta from Ambit Capital. Please go ahead.
- Ritesh Gupta:** Sir just on the quarter two, I mean, you have mentioned in the presentation that the labor availability is still is only normalizing now. So, and even in our channel what we have noticed is that availability of product has been a bit of a challenge in some SKUs at least. So, could it impact your Q2 supplies as well given that you have done August pretty flattish would you have done even better had those supply issues weren't there. Is there any supply issue?
- Vedji Ticku:** So Ritesh luckily when we started the year we had a very healthy inventory that definitely falls through because in the initial months when we actually opened up our factories so it took us some time to have the people back while as we have said earlier that we did not lay off anybody across all our workers and employees nobody was laid off so it was not very difficult for us to get people back to work. So having said that obviously we are not working on 100% as of now we are obviously between 85% to 90% of our capacities are getting utilized because of the current situation, while all our factories are open there are these situations where for couple of days the government comes and ask us to close the factories for three days so those issues are there so we are fighting those issues so we have managed till now. Starting this month there is something which are very closely working on on the supply side, but we are very sure that we are in a good position to produce what we require for the month and going



forward because every passing month the situation on the supply side is only improving with us and also with all our vendors so I do not foresee that as an issue going forward.

**Ritesh Gupta:** And Sir just on the gross margins side this quarter you said that one is the lower absorption of the labor cost but you have not seen any mixed related impact etc., because you said that ASP has increased by 12% so we should not believe that there is any kind of mix impact or negative mix impact which is kind of taking the gross margins.

**K. Chandrasekar:** That is a good question because when we try is across categories, we try to normalize around 21% EBITDA when the volumes are normal. So the impact on gross margin is not due mix it is more it is because of the lower absorption of the labor and the factory fixed overhead.

**Ritesh Gupta:** And if I can squeeze in the last one I looked at your annual report and the share of traded good has increased over the years is there something to read about it, it is there and I know you have communicated that historically also you have communicated the share of traded goods will go up but it is almost 59% of sales I think last time, I mean the mix in the cost of around 49% so could you just throw some light is that what kind of number you are looking at it to settle at.

**K. Chandrasekar:** No, if you are talking for outsource for FOB as we call it, it remains around 30% and that has been around that mark for quite a while and will remain so, so there is no change in we produce around 70% in house so that is what you must read from the numbers.

**Moderator:** We will move to the next question. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

**Aditya Soman:** Sir my first question is on the channel inventory so as you have seen any sort of increase in channel inventory in August or is that basically is a normalization at a consumer end as well that is where you have seen demand normalizing of it.

**Vedji Ticku:** In fact, on the contrary it has actually gone down we obviously had a good amount of stock in the entire channel which is distribution and retail. In fact the good news is that while we do not talk about those numbers in these calls our secondary sales have been higher it goes around 18% in the first quarter so obviously it is quite rationalized and also that is one of the reason that the demand is coming back to us because even the stocks were rationalized in the channel.

**Aditya Soman:** Fair enough that is good to hear, and will this trend also reflect in sort of EBO versus MBO sales so would their EBO contribution be higher.



- Vedji Ticku:** No, actually both are the seller in fact on the EBO front, EBOs have actually been the backbone during this time because that was one store where people exactly knew where the store is and even knew what they want from those stores, so they would come with preconceive orders in their mind. We also started and sort of the WhatsApp service from our EBOs, which was quite helpful actually and though it is not a very large number, but it helps a lot because people would order through WhatsApp and we were able to supply them. So EBO was I think one of the strong backbones during this early times and now since the entire channel is opened up, almost close to around 95% of our retail outlets is where we have at least build once during this last three, four months now so both have been I would say are equal in that sense.
- Aditya Soman:** And just one follow up I mean you indicated in one of your responses earlier that the ASPs is 12% and this is largely a mix because of Athleisure, or it would be inner wear ASP also go across in some other factors.
- Vedji Ticku:** So largely because of Athleisure and there also has been a slight as we discussed we have touched the prices very few styles have been touched across inner wear and outerwear so but largely because of the outerwear sales.
- Moderator:** Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** Sir my question is with regards to the sharp other expenses drop that we have seen during the quarter Sir as I realized that because of the sales were down by 60% there were some effect of this, but how much of this could be sustainable going ahead.
- Vedji Ticku:** No, this is something which we have worked out department wise, cost enter wise and this is sustainable throughout for the year, we have a budget plan for the whole year which includes revenue and our Opex and Capex and so what you are seeing is sustainable for the entire year and many years going forward. Except for the marketing which obviously we have tightened a little bit, once things are better and that where we should be we will be spending a little bit more on the marketing side.
- Gaurav Jogani:** But given the fact that the drop is quite sharp I mean it is around 60% so I am sure some of it would be coming back as the sales recover. So, can you just quantify in some bit how much can be sustainable for the year as a whole and going ahead as well.
- Vedji Ticku:** No, I do not have Chandrasekar you have any other point on this.



**K. Chandrasekar:** You are talking about the Opex right.

**Gaurav Jogani:** Yes Sir.

**K. Chandrasekar:** So with respect to Opex yes there were some advertisements which we had deferred and of course some of this also is royalty which is variable with sales, so those would sort of be spent towards rest of the year as the revenues come, but the remaining Opex is more or less pretty much under control we were looking at a number of the operating cost or the fixed cost as you call it to well below the FY20 numbers. So we have implemented completely robust zero based budget control system we have implemented a lot of automation we have used this time to look at and challenge many of the cost which we were incurring and then we have a very effective mechanism to implement the savings that we have achieved so far and if you notice in the press release also and even in the numbers you would have notice that they have not saved on the salary the employee cost significantly and because we have decided to and we have taken the right stand to pay everyone whoever has reported back for work is close to 90% of labor has reported back and everyone who has reported back is back and so therefore the savings has come from the other operating cost some of which are definitely postponable and we have done that.

**Gaurav Jogani:** And Sir just one more thing on the gross margin, you mentioned the absorption of the factory wages and overheads led to the decline in the gross margins so the labor cost that we defined in the P&L wouldn't it include the factory labor wages also.

**K. Chandrasekar:** In the P&L which you see in the format which is published, the COGS is the cost of all the raw material for the in-house manufacturing and then the completely bought out outsourced direct purchases the FOB as we call it so it is not a complete the labor and the factory overhead is not part of the in-house production so that the COGS is bit difficult to read some so that is why we monitor the RM therefore the outright the outsourced purchase plus labor plus the factory overhead and then we come to the gross margin. So that we have a consistent measure that whatever we sell, the COGS is apple to apple.

**Gaurav Jogani:** Sir but as per if what we see would be reported in the P&L and the cost of the goods given there if you just deduct that from the topline till there is a sharp decline and hence we would want to know, I understand there is a provision of 107 Crores that you mentioned but apart from that is there anything else that has led to the gross margin decline.

**K. Chandrasekar:** There is not much in that because it is not a number which straight away can be read without looking at the conversion cost that is why I am explaining to you.



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**Moderator:** Thank you. The next question is from the line of Nilesh Shah from Edelweiss. Please go ahead.

**Nilesh Shah:** Just to follow on to the last question. If you could just help us understand in the standard reported gross margins, I do agree with your point of view that the actual cost of conversion should be incorporated it had booked at but just for the sake of our understanding in the way on the reported financials, why has there been a drop in the gross margin that if you could just please shed some light on that.

**K. Chandrasekar:** I think we can take it offline because I have mentioned enough about the gross margin so if you can reach out to me, I will share with you the working so that you can understand.

**Nilesh Shah:** Okay great and just one other question from my end, you mentioned in response to a prior question that your secondary sales have been higher, internally what metrics do you use to assess to check the gap between these two, the main intent is that how are you making sure that your sets and annual partners who are catering to the demand on the ground are coming back to you to really replenish that stock if what tool kits or what metrics are you using to track that.

**Vedji Ticku:** Nilesh sorry my line had dropped in-between. So it is a very fair question Nilesh. I think I have addressed this even in the earlier calls, so we have two things one is that all our distributors have a software which is provided by us so all the sales are registered on that again our we also have a sales for automation tool which where the actual secondary sales are actually all the orders are booked on that tool so once the orders are booked on the tool they will go and sit on the billing tool which is the shoppers which is with the distributors and the server is here at Bangalore so on any given day we have a live data of all the secondary sales that is the sales happening from the distributor to the retailer. So that is the data which we have, and because since I have that data I was able to tell you that our secondary sales was higher percentage when coming back to how you get there is most of our distributors close to 60% of our distributors are on the ARS system now which is Automatic Replacement System so there what happens is there is a pre-decided stock level for each skew so as and when it fall below that every Tuesday and Friday those orders are accumulated and they are send to Page and this considered an order and we have been dispatch them to the distributors. I hope I have answered your question.

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



**Tejas Shah:** Sir just one clarification you spoke about a sharp recovery in August that you also mentioned that July was disrupted from supply side so if we see July and August as a consolidated period is this recovery as sharp in that period as well.

**Vedji Ticku:** No I did not say that we had any stock issues in July. Maybe you misunderstood me, so what I was trying to say was that when we started we had a pretty healthy inventory to start with so that sort the months of the May, June and early parts of July and in June we had almost around as I said earlier also close to 80% of our workforce was back so we were able to produce we have some initial teething problems with our vendors because they had issues with their manpower and of course with the government where they were shut, because we have the raw material coming from all over the country so those were the issues which are more or less settled now and if I take the July and August as an average which is definitely way ahead of what is that we are showing in Q1.

**Tejas Shah:** So second we have made some provision this quarter on inventory so the way we understand there is a very least fashion risk in what the merchandise that we carry so is this just a standard provision that we have made or you foresee some kind of write-down possibility in this inventory and in future.

**Vedji Ticku:** Yes, this is a standard solution as per the policy of the company which we have taken there.

**Moderator:** Thank you. The next question is from the line of Krishnan Sambamoorthy from Motilal Oswal Securities. Please go ahead.

**Krishnan S:** My question is regarding contract manufacturing which Chandra mentioned was about 30% of sales last year, did you witness any difficulty on that particular side I can understand your own manufacturing was fell in place as well as the vendors of raw materials but from the contract manufacturing is there any issues.

**Vedji Ticku:** So initially for the month of May when it opened and two weeks of June they also took a little while to sort of come back because obviously as we are a manpower intensive kind of production so it was couple of weeks when they started, but now from the month of later half of June, July they are back in fact they are in better condition than us because most of them are in very small cities and towns across Karnataka and Tamil Nadu so the impacts were much lower than the larger cities. So no issues on that side.

**Krishnan S:** And it is actually back to that 30% level in July and August roughly.

**Vedji Ticku:** Slightly lower but we are getting back to 30%.



- Krishnan S:** The other question is regarding the recovery that you mentioned in August close to last year's levels I am assuming you are including EBOs LFS as well as the multi brand outlets all put together.
- Vedji Ticku:** Yes all put together, yes.
- Krishnan S:** And if t even that you have said that the MBOs has been or rather EBOs have been the backbone would it mean that it has been substantially higher than last year on the EBO front.
- Vedji Ticku:** No, not substantially higher, it is more or less equal to the last year's numbers. E-commerce has been something which has been obviously growing at a very, very rapid pace and as I said earlier also as it is upwards of the double-digit contribution to our overall sales now which use to be just around 3%, 3.5% last year.
- Krishnan S:** And do you see that sustaining for the current year and being close to high single digit, double digit kind of growth.
- Vedji Ticku:** I would be so because e-commerce for us is not only jockeywear.com it is our own shop then we also have the outright sales which is through Amazon, Flipkarts and Myntra and all others then we also have market place all three are growing at a very rapid pace and especially the outright that is definitely the largest chunk of the entire contribution in the e-commerce business.
- Krishnan S:** And lastly given what happened in August particularly getting into the festive season are you confident of a positive growth from the third quarter onwards.
- Vedji Ticku:** We are hoping for that and the way we have seen the trajectory in last changing from June to July and August we hope that it should be on that trajectory now.
- Krishnan S:** And LFS from what we had get in the mall footfalls were fairly low and are still continue to be fairly low LFS you said that category which has been underperforming relative to the multi brand outlets and the EBOs and ecommerce.
- Vedji Ticku:** Yes, very much it is actually underperformed by a quite a lot it will also took a lot of time for them to actually open up and even while they are open they are not seeing the same amount of footfalls what they were seeing earlier so there is the lot to be on the LFS.
- Moderator:** Thank you. The next question is from the line of Vinod Bansal from Franklin Templeton. Please go ahead.



- Vinod Bansal:** Couple of questions, one clarification, is it primary sales in August for the whole of August is same as last year and secondary sales for whole of August is some 20% higher than primary sales that something escalating in this.
- Vedji Ticku:** No sorry I was talking almost relating to the first quarter numbers, when I said the secondary sales were higher I did not talk about the secondary sales for the second quarter I am not talking about actually second quarter I was just giving a flavor about the sales of July, August post August so my detailing was for first quarter.
- Vinod Bansal:** To clarify in the first quarter let us say for you have reported 285 Crores of sales in the first quarter the secondary sales is 18%-20% higher in this 285 Crores.
- Vedji Ticku:** Absolutely Vinod.
- Vinod Bansal:** In the second quarter the August month primary sales is same versus primary sales last year August.
- Vedji Ticku:** Yes.
- Vinod Bansal:** It is higher that gets to low and you also mentioning that, the channel inventory is down Q-on-Q at the end of first quarter.
- Vedji Ticku:** Yes.
- Vinod Bansal:** I was just keen to understand what is holding back the channel from ordering higher now the channels refilling to happen so that inventory goes up back to the levels we had in March with primary sales recovering channel secondary sales higher and even primary in the first quarter what is the reason for inventory levels are going back to the older levels.
- Vedji Ticku:** See it is more about the sensibility out there, people have to invest, so everybody across the chain, small or big retailer or distributor everybody is trying to be very, very prudent at this point of time, so while there is the demand there is obvious demand for our products both innerwear and outerwear, so everybody is sort of trading cautiously, but I think with every passing month, because once we saw July and then they saw August, I think the people are also becoming little bit more positive because whatever said and done, everybody, I think, including us, mentally, we are still not there, though things may have opened up, so I think it is more of a mental game at this point of time, where people are slowly getting used to the new normal, so we see that happening, although we have seen it in August, September we hope that we will do better than what we did in August and with the festive season coming





up, I hope people come back to the spend because there have been sort of stuck in their homes that is what we hope.

**Vinod Bansal:** Sir, if you could help answer, as I joined late a bit. What was the volume decline, sales was 66% what was the volume number this quarter?

**Vedji Ticku:** It was 69% lower than the last quarter.

**Vinod Bansal:** 69% lower?

**Vedji Ticku:** Yes.

**Vinod Bansal:** Also Sir, on the gross margin you said, the inventory provision of 107 million this is the usual that you make every quarter, pretty much same level if not exact amount or this is additional to what you typically make as a standard provision?

**K. Chandrasekar:** No, we look at the ageing and we have a committee, which goes into each of these items in detail. For example, the elastic, the fabric, mixed, packing material and so on so based on the ageing the committee recommends a certain provision, so we have a standard policy for provisioning, so it is not necessary that the goods are bad, because sometimes because of this three, four months gap in between lower sales, so when the items move, these items will come back to P&L. We have seen that happen across quarters, but we do not change the provisioning policy frequently.

**Vinod Bansal:** What I meant to ask is that there is an element of the fact that last three months were shut and therefore this 107 million is additional, is more than what have you been running a normal business and therefore this also has a gross margin impact?

**K. Chandrasekar:** No if the business was normal possibly most of these inventories would have moved out. Then the provisioning would have been either non-existent or minimal because there is a lower offtake, as you know April was zero sale, and then May was not great either so many of these inventory which would have normally been consumed and the ageing would have come down, and stayed with us, but we did not take an exception and not provide. So, we want to follow good and consistent practices and that is the reason we have made this provision.

**Vinod Bansal:** Just staying on that point Sir, if I were to adjust that add back this 107 million to your COGS to offset this inventory thing, then your gross margin as we see sales minus COGS is down 320-BPS to 51.9%. Now I know we have discussed this a lot, but you would appreciate that



most of the audience have the same question about gross margin as we read it quite low and being low last three, four quarters now. So, rather than doing one on one with each one of us, it would be helpful if you could explain now or some other time the equation of sales minus cost of raw material, inventory change minus traded goods that profit, sales minus cost of raw material minus traded goods minus inventory change that number and that profit as a percentage of sales, call it what you want, it is not gross profit, that percentage has declined by 300 to 400 BPS in the last three quarters consistently. I know if you see YoY basis 3Q 2020 was low by some 400 BPS, similarly 4Q 2020, similarly 1Q 2021. What is lying in that? If you could explain that to the whole audience, it would be great?

**K. Chandrasekar:** As explained that it is a mix of many things. It does not necessarily reflect the cost of all the goods sold because in that the conversion cost, the labour, and many other elements are not added in that. So, even in the previous quarterly calls, I have explained that the gross margin after all the conversion costs and the factory, or direct overhead is taken has stayed around 39%, around 39% to 40% consistently across quarters, so in this there is an element of conversion cost, labour, which is not added for the in-house production, there is an element of mix and all that, so that is why you are seeing that if you remove that 160 you will get around 48% and last year Q1 was around 45%, so there is a 3% even on top of that.

**Vinod Bansal:** Can we get a breakdown of the staff cost into factory labour and the non-factory labour and similarly the factory overheads that you have for this quarter and the same quarter last year?

**K. Chandrasekar:** We had about 540 million wages this quarter and if we go back to the Q1 of last year it was around 630 million. So there are different elements like subcontract expenses and power and fuel, consumable and many other elements are there in this GP.

**Vinod Bansal:** What I meant to ask is your 39% calculation if you could share that calculation, the excel that you maintain for the last five quarters. That would be very, very useful. You can put it on a platform on your website.

**K. Chandrasekar:** I will do that. Thanks.

**Moderator:** Thank you. The next question is from the Aditya Gupta from Goldman Sachs. Please go ahead.

**Aditya Gupta:** Good evening. Couple of questions; first on the as you mentioned 60% of the network is covered and it has been two, three quarters, so how is the working changed specially for your channel partners in terms of their inventory carrying, inventory refill etc., what changes have we seen? Second, was there a comment in the prepared remarks that capacity expansion has



been put on hold till January 2021? So, if you could share some more light on what drove it and what were the reasons behind it? Thank you.

**Vedji Ticku:**

To your question number one, ARS what we have done is because ARS we felt what is very important for our outerwear business because if there is some fashion element is on that side of the business, so we are actually covered 100% of our outerwear distribution. so, all our distributors who deal with the outerwear products or the Athleisure business are on ARS now. On the innerwear side, as we said, we were close to around 60%, it is varying between 70% in one zone and 50% in other three zones. There has been a positive impact for sure. The inventory that our distributor points have got rationalized, so their returns are better so we can also see most important, the whole idea of this exercise was that we wanted the sales to improve, that has gone up by almost 78% in the last quarter though this is not the best time to measure this because there were major kind of disruptions but I think by the time, we actually do this 100% across innerwear and outerwear, we can obviously see that these are very positive changes. This will help our distributors to have very healthy stocks and that is what we can see when it is being implemented and we hopefully use that this is what we are going to do for our channel partners going forward. The second part of your question about the capex for expansion, yes during this year, we decided that since we do not need immediate expansion because we generally plan for 18 months to 24 months advance because that is the time we require to create new capacities because we start from scratch, whether we do it on our own or we ask somebody to build for us and we take it on lease, so we have decided that we will start this post 2020 somewhere in early part of 2021, January February 2021 we will start with the expansion.

**Aditya Gupta:**

That is helpful. Thank you. Just one followup on the first answer if the dealer inventories are coming down because of ARS so then the primary secondary gap that we are seeing, that will not necessarily bridge then we are probably seeing a structural shift where the channel partners are going to carry lesser inventories and this refill of the channel may not happen?

**Vedji Ticku:**

Why would it not happen, if the sales are there, if the tertiary demand is there, then it will obviously ask for more goods to fulfill those demand.

**Aditya Gupta:**

No, that part will happen, but let us say, if the dealer is working with lesser inventory and this is because of positive outcome of the ARS then to that extent, it might not go back to the previous levels we had in the last year. For example, if the dealer was carrying a 30-day inventory last year before ARS came in, now we will be settling at around 20 or 25 or whatever the number maybe?



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**Vedji Ticku:** No, I think probably, either I said it not in the right way or you did not understand rightly. When by reducing does not mean number of days. What we are trying to do is we want all our distributors to get a 30-day inventory for each SKU. So, earlier the situation when the ARS was not in place, and the assortment plan which we are separately working on, we are also working on a very high end assortment planner for all our distributors, currently we are doing it manually, so the idea of the ARS is that each SKU, size and color is as per the 30-day requirements of that depending on its movement for sales. So that is what we are trying to achieve with ARS. We are not trying to reduce the stock from 30 days to 20 days. That is not the aim. The aim is that the stock is healthy and each and every SKU is available at the rate of 30. So earlier what used to happen we could have some fast movement style probably only 20 days and there will be lot of slow movers which could even be 40 days or 45 days. That anomaly is what we are trying to sort of bridge so that he has a healthy stock and every stock is as per the 30 days for the rate of the movement of the stock. That is what we are trying to do.

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

**Bharat Shah:** If we look at our last one and a half to two years before COVID there has been some or the other challenges, JSP created a bit of disturbance because distribution both at the main stockiest, he said his retail level practices yet to be streamlined so that must have been impacted, since our trading discipline has been stricter and rightly so, that would have further aggravated to the trade increase. Meanwhile, maybe slowdown of economy some inexplicable slowdown in terms of offtake at our end so, variety of challenges this one and a half years, two years have picked and therefore normal performance of Page has not been fully discovered in this particular period. Meanwhile, our response has been to strengthen internal organization means marketing resources, branding resources, streamline focus on each product vertical with a separate change in marketing organization, technology, business transformation and all that, right kind of long-term agenda to improve the character and caliber of the business. Hopefully, if COVID would not have occurred, we might have been able to discover right now as to how good our internal responses were or having to the external challenges, but unfortunately COVID has once again upset the applecart and therefore in a normal way one is not able to really evaluate the situation as to how will Page is doing. So, when the dust takers what do you think that Page, the reinvent, the rejuvenated, energized, resized Page will look like given all that we have done internally to deal with the challenges externally, competitively and otherwise how will Page look like?

**Vedji Ticku:** Mr. Bharat, thank you so much to put into perspective. This is exactly what Page has been trying to do from last almost I would say 24 months now. You are absolutely right. The last



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couple of years have not been at its best. There was definitely a slowdown in consumption before the COVID and the least expected was the pandemic and it has not helped the cause, but I believe on behalf of the entire team here that this is going to make us only stronger and all the efforts which we have put in terms of the business transformation, the ARS which we talked about, I just spoke about the product mix, which is the assortment generator, this is a new tool which we are going to invest even in during these times. We have shortlisted a couple of tools and we are involved and we know exactly which tool we are going to take, we have the best tools in the world, which is to for creating the assortment and returns, which will make the ARS much more stronger, the entire supply chain which we have worked on from last two and a half years doing the business transformation and we have a separate supply chain team, which never existed two years earlier. The implementation of JDA which is another tool which is helping us to produce right and in the right timeframe. So, with all these things, which has been done in this whole time and investment we have done into all senior managers, across sales, production, supply chain, all has to come together, so we are just thinking that this is a sort of a restart for us, for Page and I think by the time we end this year we can see the glimpses of this already. That is my belief, Mr. Bharat.

**Bharat Shah:**

Otherwise, all those internal investments into people, resources, capability and while we can do little about what is externally prevalent once the COVID glooms are behind can we say that Page hopefully should get back to the kind of growth rate that it was long fought and in terms of the quality of the growth rate it will be probably even stronger than before?

**Vedji Ticku:**

I have no reason to believe why that should not happen Sir. In fact, I believe that this little slowness in the whole environment, it is one step back before we take the big leap. That is what I believe this year has done to us. It also has helped us to do a lot of inward looking, which we were already doing through business transformation, I think this has helped us to do a lot of cost cutting which will definitely help the margins when the sales improve, so yes, I think this is we are just ready for the big leap from here.

**Bharat Shah:**

Eventually that should reflect also into the kind of typical operating margins and the performance that we aim to get. I mean, 22% kind of a margin range is something or was mathematically we were building at one point of time, so when all this settles hopefully that should again re-energize hope

**Vedji Ticku:**

Absolutely Sir. While we also hope but we also believe the fact that because we know what the market size is and where we stand today. Market size is not an issue. It is only us. We have to get these things together and we believe we have done a lot in the last 24 months to make us ready for the next big leap.



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**Bharat Shah:** One last question, competitively how is the change in the two, three years. You told that we have done internally, what do you think competitively if you have to make an objective evaluation of where we stand, how will you describe it?

**Vedji Ticku:** I think we have discussed this many a times even on separate calls, or even in the group calls, the competition for Page was always there. It is never that Page has zero competition and Page was on its own and there was nobody in the market. There was somebody or the other was always there. Lot of brands, lot of business houses who got into this market, some of them wound up, some of them closed down, some are still there struggling and trying to take a piece of this market, we believe the market is huge and with two or three entrants, it is not going to make any difference as such. It only helps us to actually improve, because when we have more likely like players who are as interested and who want to do better, it only makes you want to do still better and we have always welcomed competition and we had competition starting from 2004 when the first international brand came to India after Jockey coming in 1995. So, it is not that it has drastically changed Sir. I think there has been an addition of one new brand in the last couple of years and we respect them and we have another brand amongst another six brands which are already there and we do not see any change because of that. One positive change, yes whenever you have somebody trying to be dominant or pushing you around, you become more stronger and you want to do the same.

**Moderator:** Thank you very much. Due to time constraints we will have to take that as the last question. I would now like to hand the conference back to the management for closing comments.

**K. Chandrasekar:** Thanks all of you for joining in. Today we had a record attendance of nearly 480 plus people from across the world and India and also for all the insight. We also equally learnt from you and many of the questions were very interesting and hopefully we have answered all of you. Thanks for your continued interest and faith in Page Industries. Have a good day. Bye-bye.

**Moderator:** Thank you. On behalf of Edelweiss Securities that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.

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(This document has been edited for readability purpose)



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