13 November 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 30 September 2024.

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

https://youtu.be/vZMOPU8j5_Q

This is for your information and records.

Thanking you,

Yours truly,
For Page Industries Limited

MURUGESH C

Digitally signed by MURUGESH C
Date: 2024.11.13 16:30:32 +05'30'

Murugesh C
Company Secretary

Encl: as above

PAGE INDUSTRIES LIMITED

"Page Industries Limited Q2 and H1 FY25 Earnings Conference Call"

November 07, 2024

PAGE INDUSTRIES LIMITED

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

MODERATOR: **MR. ANUJ SONPAL – VALOREM ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY '25 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. Anuj Sonpal from Valorem Advisors. Thank you, and over to you, sir.

Anuj Sonpal: Thank you. Good afternoon, everyone and a very warm welcome to you all. My name is Anuj Sonpal from the Investor Relations team. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the second quarter of financial year 2025. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings concall may be forward-looking in nature.

Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions.

The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. V. S. Ganesh, Managing Director; Mr. Deepanjan, Chief Financial Officer; and Mr. Karthik Yathindra, President and Chief of Sales and Marketing.

Without any further delay, I request Mr. V.S. Ganesh to start with his opening remarks. Thank you, and over to you, sir.

V. S. Ganesh: Thank you. Thank you so much. And ladies and gentlemen, a very warm welcome to this meeting and a very good afternoon, and welcome to the earnings call for the second quarter of FY '25. As was mentioned and during the introduction, I have Mr. Deepanjan, our Chief Financial Officer; and Mr. Karthik, our President and Chief Sales and Marketing Officer who have joined me for this call today.

I will touch upon the performance of Q2 before getting into the specifics of the quarter. We have experienced a largely stable operating environment in Q2, except for a few regional disruptions in the form of floods and protests in select parts of the country that affected retail. While we are yet to experience a significant revival in consumer sentiments, the onset of festival towards the end of the quarter has shown some increasing signs. The rapid expansion of e-commerce has created new opportunities in retail. While a gradual recovery in rural consumption is positively influencing overall demand trends.

Staying true to our core principles and long-term strategy, we have maintained our focus on good inventory health, operational efficiencies and in enhancing customer experience. This has resulted in a revenue growth of 11% and PAT growth of 29.9% for the quarter. For the first half of the year, we achieved a revenue growth of 7.3% and a PAT growth of 16.8%. we have continued to enhance our consumer reach through expanding retail response.

As of end of September, we have a network of over 107,702 MBOs, 1,387 EBOs and more than 1,153 LFS outlets. We are strategically directing our attention towards metros in Tier 2 and 3 cities. E-commerce channel had a growth of 41% in H1, which affirms the opportunity in online channels. Your keen interest in our journey keeps us agile in pursuit of organizational goals. We eagerly anticipate the opportunity to address any questions you may have and provide you further insights into our performance during the call.

Before doing that, may I request Mr. Deepanjan to take you through the specifics of the quarter and then we can take your questions. Thank you so much. Over to you, Deepanjan.

Deepanjan: Thank you,. Good afternoon, everyone, and welcome again to today's earnings call. I hope have all of you are keeping well. I am pleased to share the results of quarter gone by and the first half of FY '25. Taking you through the key financial highlights for Q2. We recorded a sales volume of 55.2 million pieces which was a growth of 6.7% year-on-year. Revenue in Q2 was INR12,463 million which was again a growth of 11% year-on-year.

EBITDA for the period was INR2,815 million, which was a growth of 22.1% year-on-year. EBITDA margin during the quarter was 22.6%. Stable raw material costs, sustained higher selling efficiency, measured employee costs and judicious operating costs have contributed to good EBITDA margins. Profit after tax was INR1,953 million, a growth of 29.9% year-on-year. Inventory days was 168 as against 93 days in the end of FY '24. Focus on healthier inventories in the distribution network has resulted in maintaining optimum inventory level. Working capital days was 61 days, which was an improvement over 75 days in the end of FY '24. We remain in that shape.

Coming to the first half. Sales volume was 112.6 million pieces, which was a growth of 4.6%. Revenue was INR25,238 million, resulting in a growth of 7.3%. EBITDA for the first half was INR5,248 million, a growth of 11.90%. EBITDA margin was maintained at 20.8%. PAT was INR3,605 million, resulting in a growth of 16.8%.

To summarize, our financial performance in Q2 focuses the success of our sustained focus on product quality, broadening of our customer base through diverse channels and strategic marketing efforts, all of which have driven revenue growth. Stable product costs, continued utilization, smart technology utilization and strong management of operational expenses has strengthened our operating margins and overall growth trajectory.

We can now discuss any queries that you may have.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Manasvi Shah from ICICI Prudential AMC. Please go ahead.

Manasvi Shah: Thank you so much for the opportunity and congratulations on a very good set of numbers, especially in a weak consumer environment. I have two questions. One is on working capital. So our inventory rates have reduced sharply, which is a very good sign. But does that mean that incrementally, there should be good productivity improvement as volumes ramp up, and that can lead to this sort of margin improvement we've seen in Q2 to be more sustainable?

Deepanjan: So saving efficiency has significantly improved if we compare with the previous quarter. These savings efficiencies are almost 44%, 45%, which has over the years significantly gone up to 56%, and we have been able to maintain that. So that's why it's reflecting in our production efficiency as well. So we should be able to maintain production levels even with the existing manpower that we have.

Manasvi Shah: Okay. And secondly, sir, on channel inventory. How is the channel inventory situation now for us? And how is it for competition?

Deepanjan: So I'll request Karthik to take this question.

Karthik Yathindra: Yes, Deepanjan. I'm afraid I'll not be able to comment on channel inventory of competition. What we understand is that it is bloated, but to what extent is something we're not really aware of. As far as our channel inventory is concerned, we had about 40 days of inventory at the distributor level today, which is an improvement of about 3 days when compared to the beginning of the year. I think largely, we've come to stable levels of inventory in majority of our categories, barring a few, where still there is scope for us to optimize inventory levels at the distribution.

Manasvi Shah: And sir, is the secondary sales growth mirroring the primary growth? Can you just talk about trends?

Karthik Yathindra: Growth, like I mentioned, our inventory levels at the distributor has come down since the beginning of the year, which means our secondary performance is slightly better than our primary performance.

Manasvi Shah: Okay. So should we expect channels selling to start to resume again, especially leading into the festive heavy Q3?

Karthik Yathindra: I'm sorry, come again? Should we expect channel what?

Manasvi Shah: Channel selling now because secondary sales have been higher than primary sales for almost 2 quarters now.

Karthik Yathindra: Ms. Shah, our inventory levels were higher than what it should have been as we started the year. And it's been a conscious attempt to bring inventory levels at the distributor to normal levels. So there is no intention to inflate or fill channel with more inventory than that is required. In fact, we foresee, maybe another couple of days of inventory to come down in the H2 of this year.

Manasvi Shah: Okay. And sir, I appreciate that you wouldn't be able to comment on competitors' inventory. But is it putting more pressure on the channel in which that in any way affecting some of our offtake?

Karthik Yathindra: It could be because retailer payout seems to be at an all-time high, some competition, which puts a little bit of stress on our secondary performance. But because we've been able to control costs largely and have been continuing to invest in the brand at the consumer level, we're able to hold forward.

Moderator: Thank you. The next question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta Sir, with the pickup in growth rates seen despite a largely stable demand environment and festive period demand also is encouraging, as you said, would it be fair to expect growth momentum to further rise in 3Q and going forward versus the 11% that we saw in 2Q?

Deepanjan: I think it's a bit too early to comment on that because, yes, we did see a stable environment in Q2 and the festivities has also been good. But whether the growth trends will be further improving, I think we'll be unable comment on that unless we get further deeper into Q3.

Avi Mehta Okay, Deepanjan. So Deepanjan, where my question is coming from is there a material benefit that happened in 2Q that you would argue for the early festive. Because you also pointed out towards the market commentary. So I'm just trying to appreciate what level is a more steady state level as we go forward?

Deepanjan: As we have told that definitely, the conversion situation or the demand situation is better than what we saw in Q1. But yes, I mean, there are still pockets in categories that the things are not so steady. So that's why I think if the momentum of Q2 continues, definitely things have been improving, but it's a bit early to comment on that.

Avi Mehta Okay, sir. Just the second bit is on the EBITDA margin. We've seen first half EBITDA at almost about 21%. Is that a fair indicator of what we should expect for FY '25 versus the 19% that we saw in FY '24?

Deepanjan: See, we have had very strong controls on operating expenses and the yarn cost and the cotton prices have been quite favorable. So we are not seeing any upward trends. So given these factors, it definitely gives us a comfort that EBITDA margins will remain strong, but at the same time, as we have indicated earlier also, there are several initiatives, especially in the IT front, which had been initiated during this year and it will take up more steam from this quarter onwards. So there will be some quarterly aberrations in the EBITDA margins. But yes, I mean, we'll be fairly gearing that 19% to 21% range.

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

Tejash Shah: Thanks for the opportunity and congrats on a good recovery, especially in the current environment. First question pertains to growth. Just wanted to understand the character of the growth here in terms of how it is composed across regions or segments, if you can give some qualitative inputs. Especially the headwind that we had seen in athleisure, are we seeing some sharp recovery there?

Deepanjan: Yes. Karthik, if you could take this question.

Karthik Yathindra: Yes, sure. So quarter 2 has been fairly good across all the categories as far as secondaries is concerned. Our inventory levels at the channel are still above what we would like it to be when it comes to the athleisure category, which is in a way muted growth at the primary level. But at a secondary level as well as tertiary levels in our EBOs, we've seen a fair bit of growth .I mean, consistent growth across all the categories that we're operating.

Tejash Shah: And the gap that we had seen in the recent past between primary and tertiary, do you feel that it's almost, by end of this fiscal year, we should start kind of so that won't be part of our discussion or narrative anymore because all the ARS intervention that we have made in the recent past, the effect of the same will be surfaced by end of this year?

Karthik Yathindra: Yes. I think I had mentioned that earlier as well. I think by the end of this financial year, we should be back to optimum inventory levels at the channel, after which our secondary sales should in a way than our primary sales.

Tejash Shah: And last one if I may.

Moderator: Sorry to interrupt you sir. I would request you to rejoin the queue for your follow up question. Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Thanks for taking my question. Sir, currently, we are at 80% in-sourcing versus these levels being 70% about 6, 7 months back. I just wanted to check how much of this margin improvement is because of this higher level of in-sourcing and whether these levels of in-sourcing are expected to continue even after the demand recovers for us?

Deepanjan: First of all, our outsourcing or purchase from outsiders is almost 30% as we speak. The improvement in margins is largely because of the improvement in efficiency. Yes, it does have some factors for purchasing from the outsourcing suppliers, but yes, I mean, the way we operate our margins, our outsourced suppliers versus in-house supplies is not significantly different.

In fact, in some cases, outsourced margins are slightly better than our inhouse manufacturing. But largely, since 70% is still in-house manufactured, the increase in margins that we are seeing now is more because, one, the product costs or the material costs are largely stable, and we have seen significant improvement in our cutting efficiency.

Devanshu Bansal: Understood. Sir, anyways, the PPT's mentioned that it is 80% in-sourcing, maybe I'll check it again. Yes. Second question, sir, the working capital has been optimized by about INR330 crores over the last 6 months. So what has driven these savings exactly? And are these expected to continue because inventory levels are below the March '24 levels despite whatever growth that we have seen in H1?

Deepanjan: Largely the reduction in working capital is inventory driven. So we have been able to optimize our inventory levels. We have brought it down to almost 68 days now as we compare with the beginning of the year. And since we have reached more earliest optimum levels, we are currently geared around 68 days of inventory, which is including both FG and RM. So this is the more or less closer to our targeted inventory levels. And with this, the working capital days, which is around 61 days, should be retained even going forward?

Devanshu Bansal: Can you follow a few initiatives that we have taken sir, in terms of maybe FTE reduction, etc, that must have led into this kind of an improvement?

Deepanjan: Sorry, can you repeat the question?

Devanshu Bansal: I'm asking can you indicate or highlight a few initiatives that we have taken at the back-end front, which has helped us improve our inventory?

Deepanjan: On the efficiency, , I think it has been overall. So it has been a sustained effort over even starting the year before, where we have been taking consistent efforts and steps to improve our efficiency. And there's been several initiatives taken on in our back end, including the Kaizen initiatives and there are several other things which have been taken up. So those have gradually resulted in improving the efficiency from 44% to 54%- 56%. So that's what it's resulted in the higher efficiency.

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

Sameer Gupta: Thanks for taking my question. I have two. So firstly, on the volume growth of 6.7%, this implies there is a price plus mix growth of 4% this quarter. And I'm not sure if we have taken any price increases. So just wondering what is driving this price plus mix growth?

Deepanjan: Yes. So to answer your first question, there has not been any price increase at all. The differential that we see between the volume growth and the value growth, there are two factors. One is definitely there is premiumization within the categories. So when I say within the categories, for example, we didn't mention that there is certain boost. There is a propensity to buy higher price point products. There's also a category mix, which is coming into play because there is slightly more sales of outerwear which is in the quarter.

And thirdly, which is an important thing. I mean, which is a key, which is happening is that we have a slight change in higher sales in e-commerce because the growth in e-commerce has been significantly higher than the traditional channel of general trade. So all the three factors, as with premiumization affecting in our price points, while essence, there has been no price increase.

Sameer Gupta: So just a follow-up here. So higher increase in e-commerce. Is e-commerce by default a higher price point category for you? Is that how to read it?

Deepanjan: No, not exactly e-commerce and we say it's a combination of B2B, which we sell directly to players like Amazon and Amazon suppliers. And we also have B2C, which is the marketplace in Jockey.in. So as far as market place in Jockey.in is concerned, we sell at MRP. And in case of B2B supplies also, we have the advantage of lesser margins still because they're selling directly. So all these things, I think we have got a higher ASP there.

Sameer Gupta: Got it. I understand. Sir, second question is this uptick in both volume and sales growth. Now inventory corrections are almost done, and like you have mentioned that athleisure is also back growing in secondary and tertiary. And we've also had some new launches. So just trying to understand that how I mean, I read what you said before in the call that it's still early days.

But if, let's say, the demand environment is still not back and it's on your own initiatives which is driving this growth, and by the look of it, it seems there is no one-off, then, I mean, why is it that the confidence in sustaining this double-digit growth momentum, I mean, not there in the commentary? Just wondering.

Deepanjan: No, we would love to have double-digit growth and even more. But this is the first quarter where we have seen a decent growth, and we'd like to see a few more months before we really can confidently say that, yes, this is a renewed phase, which we're getting into.

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

Anand Shah: So first question is on the channel part. I mean, you've seen the number of MBOs getting consolidated over the last few years, even EBO account has sort of been flattish for the last 4 quarters. And also the number of distributors this time has sort of come down. So just wanted your thoughts on what is your target for channel expansion and kind of change in mix that is happening?.

Deepanjan: Yes, Karthik, can you...

Karthik Yathindra: Yes, Deepanjan, I'll take this. Thank you, Mr. Shah. You're right. I think we've taken a consolidation approach as far as the distribution channel is concerned. There has been expansion, no doubt. However, the numbers that you see as baseline included certain expansion that we had initiated during the time of COVID pandemic, where we had made entries into unconventional hosiery outlets, unconventional for hosiery because it was required at that point in time.

Those are the outlets that are in the way consolidating to reach a steady-state number. There has been expansion, no doubt. But at the same time, due to consolidation you're seeing, it seems a bit flattish as far as the distribution is concerned. As far as EBOs is concerned, again, there is expansion to the tune of 150 to 180 stores year-on-year, and that is a similar number we should be gaining the financial year as well.

Anand Shah: Got it. And just a follow-up on this, any breakup you can share in terms of the mix of revenues between MBO, EBO, LFS and e-comm, any rough mix?

Deepanjan: No, we typically don't share that. We predominantly remain GT-driven, that is general trade driven. But we do not publish a breakup of channel-wise information.

Anand Shah: Got it. And my last question is, again, on the staff cost, as you highlighted, you are seeing a lot of production efficiency there and a number of employees is also coming down. So where does this sort of now normalized in the sense, do you see more efficiencies because the staff cost has been coming down, has been flat for many quarters now. Does it start to stabilize here and then go up or you continue to see a flattish curves and include the costs?

Deepanjan: No. It's a continuous effort. I mean we do not stop ourselves at the current level of 54%. It's a continuous effort which we keep working on every day. So definitely, over time, if this further improves, it is good for us. But yes, I mean, reaching from 44% to 54% itself is a significant achievement. And whether it will go up further, we have to see, but yes, the efforts continue.

Moderator: Thank you. The next question is from the line of Nihal Mahesh from Ambit Capital. Please go ahead.

Nihal Mahesh: Deepanjan, my first question was to you. Would it be possible to share the subcontracting charges for the first half or as a percentage of top line?

Deepanjan: As a percentage of top line, it's around a percentage, I mean, 1%, not more than that. And between the 2 quarters, it is more or less similar, there's not much a change in there, when it it in quarters Q1 and Q2.

Nihal Mahesh: Got it. Historically, this number used to be 3%, 3.5%. Is it that the efficiencies have are made is the new normal? Or this would then trend somewhere in between in the future?

Deepanjan: No. I mean, depending on the demand requirement and the production requirements, we do keep changing this subcontract procurement. So yes, historically, I think pre-COVID, it was slightly higher. So if the proportion of subcontracting further goes up, then definitely, this will be changing. But otherwise, it will be in the range of 1% to 2%.

Nihal Mahesh: Understood. The second question was that we historically had the USD 1 billion target. Any sense on when we are targeting to achieve that? And also, what is the long-term sustainable growth for athleisure you target?

Deepanjan: So I request Mr. Ganesh to answer this..

V. S. Ganesh: Actually, the $1 billion target was set before the pandemic. And as you all know, we lost almost a year because of the disruptions. And then after that, retail has not been buoyant. That's why we told you last time also, we need to reset. So there is seems to be a corresponding delay in achieving our target. And now we feel it may take a couple of years more than what we thought to achieve this number.

But you have to give us some more time. As a management, we want to get together and work this and see how well we can do it and how much we can accelerate. So maybe during the next call, we can give you more specifics on this because this is something which is something we are working on to see how we can accelerate our growth.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from JM Financials. Please go ahead.

Gaurav Jogani Sir, my question is with regards to if you can comment something on the women's sales. What steps have you been taking? What innovation are you doing there? And earlier, there have been some talks of the channel consolidation between the Jockey Juniors and the women's part. So something that you can highlight here would be helpful.

Karthik Yathindra: Yes, Sure, Mr. Jogani. Thank you for the question. We as a brand, I think in terms of consumer penetration, our men's business is definitely a lot stronger than the women's business, and we have a lot of gain in the women's business, which also gives us the opportunity to do a lot more here. As efforts towards this objective, we today have an independent sales team and an independent business unit of sorts focusing only on the women's business, that is both innerwear as well as outerwear.

In terms of consolidation, yes, I think the Juniors business is best served when it is attached to the women's business. So majority of our distributors who carry the women's innerwear portfolio also carry the Juniors portfolio with them in terms of reaching into market. Even in terms of marketing investments, it is disproportionately skewed towards the women's business because we see a lot more opportunity and potential there.

And that's where we believe the brand can gain a lot more when compared to men. So these are some of the efforts we've been taking. It's an ongoing focus. Also the number of players in the women's business is a lot more. And hence, it is more competitive when compared to men, and hence, a lot more of doing from our side in order to make it a successful business for us.

Gaurav Jogani So on the product side, if you can highlight something here, what different have you done in the product basically to attract more consumers from the competition or maybe increase your own share?

Karthik Yathindra: On the product side, there's been a considerable level of investments that have gone into the women's side. If you had to take a look at what our portfolio looked like about, let's say, 4 years ago or 5 years ago, we've come a very long way. Our bras portfolio is today, I would say, complete to cater to all requirements of the women. It was not the case about 4 to 5 years ago, we were operating on selective styles, selective user locations as well as selective sizes.

Today, we cater to a much wider consumer segment as far as our product offering is concerned. Even in terms of materials, historically, Jockey has been very popular with the cotton range. But over the last 3 to 4 years, we've expanded into the cotton stretch space as well as the synthetic space, which has attracted new consumers into the brand. So on the product side, the portfolio has really widened over the last 3 to 4 years to cater to a lot more consumers.

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

Ravi Naredi: Thank you to give me the opportunity to ask the question. Sir, through dealers from Jockey, the regular visiting to see what is going on. So when we meet in last meeting last week, they said we demand 100 pieces from Jockey, they provide only 15. So when our supply chain will be aging? And second, other than India, what top line we got from Sri Lanka, Bangladesh, Nepal, Oman, Qatar, Maldives, Bhutan and U.S.? These are my questions.

Karthik Yathindra: Thank you, Mr. Naredi, for your question. I'm not sure where this feedback has come from. And obviously, we like to understand better. How we track our secondary order fulfilment very closely because, essentially, the orders we received from retailers to the distributor and to what extent those orders are fulfilled by the distributors, these are all completely on system. We are digitized.

So we have a complete understanding of what level of order fulfilment do we achieve. At the moment, even for the first 2 quarters gone by, our order fulfilment at a secondary level is in the early '90s. And hence, 15% seems a bit alarming to me, but I'd love to understand a lot better.

On your second question in terms of international. The international geographies today contribute to a very small portion of the overall Jockey business. Excess of 99% of our business is today in India. However, there is a renewed focus on the international geographies. That Page has licensed for Jockey, and we should be seeing some level of renewed focus there and growth coming from those parts of the world as well over the next two quarters.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Just a quick question on the women part of the business. Is the women segment declining for us, and because of that, the margin story is improving? Actually, I have two questions here. One is what is the contribution from women? Because I see that last two quarters, we have been increasing a lot of women outerwear also. So is that the function that we were trying to ramp up the business in women side? Some more color, some more depth?

Karthik Yathindra: Thank you, Mr. Pardeshi. I don't think that that in a way has an impact on our margins because our earnings are more or less similar between the men's portfolio and the women's portfolio. To specifically answer your question on the growth of women's portfolio, women's portfolio continue to grow, both for innerwear and outerwear. Our H1 results for women's are positive. We are not degrowing in those parts of the business.

Shirish Pardeshi: Will it be higher than the company average, what you have reported in this quarter?

Karthik Yathindra: It is at par.

Moderator: Thank you. The next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

Sheela Rathi: Sir, as we are 1 month into 3Q, I just wanted to understand the trends we are seeing with respect to demand, primary or secondary trend?

Karthik Yathindra: Ms. Rathi, I think at the best, we limit our discussion to quarter 2 at this point in time. However, like mentioned in the commentary in our presentation, I think we've seen positive signs of festive period being early this year. And we are hoping, in fact, this results in us sustaining the kind of growth levels that we've been able to report in Q2.

Sheela Rathi: Sure. The second question was with respect to the e-commerce growth. What was the growth rate this quarter? And where is the mix now for e-commerce?

Karthik Yathindra: Again, I think we don't publish channel level growths, but I think what we can mention is that the growth rates for e-commerce as a channel is significantly higher than what has been reported as the company average. This is a function of a few new subchannels that have emerged within e-commerce in the form of quick commerce as well as there is some level of consumer trend moving towards shopping in this online space.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: Congratulations on a good set of numbers. Sir, just wanted to understand athleisure space a little more better. How has been the traction on this category? And how do we see the primary and secondary sales moving here in this category, especially from the fact that this category has been struggling. So what kind of green shoots we are seeing here?

Karthik Yathindra: This category, I think the kind of results you're seeing is more because of the normalization process that it is going through. Obviously, over the last 3, 4 years, this category kind of rocketed up, thanks to the pandemic. And we saw in a way, abnormal growth levels, which have set as baseline now, which is what is getting normalized. But otherwise, I believe the category of athleisure itself is a very promising category, and we are, in a way, back in the category to grow in a sustained manner going forward.

Even for this year, while overall our consumer level tertiary as well as secondary numbers have been very promising for athleisure, there is some level of correction in primary. This is largely due to the inventory levels at our distributor. But otherwise, consumer offtake in demand has been positive as far as athleisure as well.

Prerna Jhunjhunwala: Just some color whether it is better, at par, below the company level growth rates would be helpful?

Karthik Yathindra: It depends. I think at a tertiary level, it's been better than company growth rates. But at the primary level, it's been a little below par, largely owing to the inventory levels that we're holding in the supply chain.

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

Ankit Kedia: Sir, two questions from my side. First is on EBO. If I look at first half, our EBO addition is single digit. Is it fair to assume second half 150 EBOs are expected to be opened?

Karthik Yathindra: Thank you, Mr. Kedia. Yes, our expansion plans for the year remains. I think what we've managed year-on-year for the last 3 to 4 years, that's about 150 to 160 stores every year. We will manage to achieve that number this year as well.

Ankit Kedia: Sure. And my second question is on the Odisha facility. So given that in Q4 facility is expected to start, will we see inventory increase in Q4 by end of Q4? Or we will remain at this optimal inventory, which we have seen in September?

Deepanjan: No, I think the way we plan our inventory, it is more aligned actually with our demand requirement. So opening a new facility at Odisha will not add to our inventory days. It will still be within the requirement of our demand for the coming months. And Odisha, while it is likely to be running from the fourth quarter to reach the optimum level of manufacturing, it will take a few more months. So opening of Odisha will not impact our inventory levels.

Moderator: Thank you. The next question is from the line of Pranav . Please go ahead.

Pranav: Sir, just in terms of athleisure, how we know that we have priced our products rightly and we have not overpriced or priced ourselves out of volume growth? Have we feel that? Like who is our typical competition? What are their prices, something like that, if you can share?

Karthik Yathindra: Thank you, Pranav. We obviously benchmark ourselves with who we believe is our competition in our area of business for all categories, including athleisure. And this is an ongoing exercise that we do almost twice a year to see how the pricing or competition is moving and where are we vis-a-vis our competition in terms of pricing. I don't believe we've outpriced ourselves. Yes, there has been some level of price increases, which we had to take about 2 years ago because of the input costs going up.

However, our last price increase now dates back to July 2022. This has been more than 2 years since we touched up prices. And at the current scheme of things, I think we are competitively priced in athleisure as well. We've also introduced a few products, key essential styles that are common at sweet entry-level price points over the last 4 to 6 months. With that, our portfolio kind of completely cater to all price points that we can with the kind of quality and durability we offer in our products.

Moderator: Thank you. The next question is from the line of Rishi from Marcellus Investments Manager. Please go ahead.

Rishi: Karthik, can you hear me?

Karthik Yathindra: Yes, Rishi. Please go ahead.

Rishi: Yes, Karthik, so my first question is on the rise of quick commerce as a contributor to your top line, right? So what we're seeing in other FMCG channels is that the urban city, and in your case, it will be the urban MBO channel, gets impacted because the consumer is shifting to quick commerce. So now are are we experiencing the same thing at the secondary tertiary sales levels? And secondly, will there be a need to correct any inventory levels or will there be a slowdown because of quick commerce for your MBO channel?

Karthik Yathindra: Quick commerce. Rishi, firstly, thanks for the question. Quick commerce is like in all the categories, I believe, will come and find a place for itself within the innerwear and athleisure space as well. However, what I mean, it's early days for us and we are learning with the channel.

But our early learnings has been that this channel can carry very specific products, very small set from the entire offering that Jockey can offer.

So hence, the assortment that we've chosen for quick commerce is tight and quite limited. And hence, the impact that it could have on our GT outlets or the EBOs in the offline space would be limited only to that extent. Even today, I believe, what an off-line store can carry in terms of quick as well as, of course, the touch and feel experience that they can offer will obviously work in their favor to continue with the same growth.

Moderator: Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal Financial Services, AMC. Please go ahead.

Aliasgar Shakir: Thanks for the opportunity.This is Ali. I had a question on the growth. If you can just explain a little bit on the primary versus secondary, what would be the secondary growth we would have seen in this quarter? The fact that you are further reducing your channel inventory, though not by a very big market now. What should be the impact of that in the difference between secondary and primary growth? If you could just help that.

Karthik Yathindra: Ali, thank you for your question. See, for H1, the bygone 6 months, the impact has been to the tune of about 4%. That's the level in which the inventory has reduced in the channel. Like I said, in majority of the categories, the large contributing categories, we already add optimum level of inventory and distribution, but there are a few categories where there is further impact expected over the next 2 quarters, where there will be a delta between secondary performance and primary performance. But what has happened so far is to the tune of about 4%.

Aliasgar Shakir: And for the quarter 2Q?

Karthik Yathindra: I think it's equally split between the 2 quarters because the way ARS operates is, it does not negate your inventory overnight. It works in a phased manner to bring down inventory over time. So we've been able to correct inventory by 2% each in quarter 1 and quarter 2.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Sir, I wanted to understand, quick commerce is gaining a relatively faster traction. So what does it mean for our business in terms of margins and working capital relative to other channel. So once it becomes sizable? So I just wanted to understand that?

Karthik Yathindra: Mr. Bansal, thank you for your question. Our operating margins with quick commerce is not very different to how we operate with the other e-commerce partners. And hence, even if the contribution goes up, we should not see a significant change in our margin structure.

Devanshu Bansal: And in terms of working capital, sir?

Karthik Yathindra: Again, with quick commerce, we operate from an outright model where we sell to the quick commerce players. We don't hold inventory and operate as a marketplace. And again, so that should not impact our working capital later.

Devanshu Bansal: Okay. Secondly, there has been an increase in dividend in H1. So I wanted to understand, is this a one-off or expected to continue going ahead as well?

Deepanjan: See, as far as dividend is concerned, as per our policy, we typically pay out 60% of our PAT. But there can be exceptions depending on the cash reserves that we have. So as of now, our cash reserves are quite healthy and we are able to give a higher dividend. That's why in the first quarter also, we had a higher dividend of INR300 per share. This quarter also, we have given that. So it will completely depend on the results that we have. And yes, if the results continue to be healthy at the same level that it is now, we can give higher dividends, but yes, it will be completely dependent on the cash reserves.

Moderator: Thank you. The next question is from the line of Varun Singh from AlfAccurate Advisors PMS. Please go ahead.

Varun Singh: Okay. So my question is, given the fastest growth in the e-commerce channel and also the rise of so many D2C players on the sales channel, maybe as I just wanted to understand that what are your observations with regards to the competition, which is shaping up? Who would you consider to be something like a respectable competition in the men's innerwear space?

Karthik Yathindra: Mr. Singh, thank you for the question. Specifically in the men's innerwear space, yes, you're right, there have been several D2C only players who have entered the men's innerwear segment over the last 4, 5 years now, some from the kind of sales we do and the information we have, we also continue to lead the e-commerce players as number one in terms of market share. And this is the information we have in terms of sales to end consumer. And many of the B2C players are, in fact, growing the reverse of making attempts to establish business in the off-line space as well.

So as far as we are concerned, we don't see them very differently to an off-line competition. Attempt has been to equip ourselves in the B2C space to try and make sure we build requisite infrastructure as well as technology to make sure that we are right up there in our game even in the e-commerce space as much as we dominate the off-line business. So as far as we are concerned, we don't see them as very different to other competition that we will deal with. At the end of it, our product, design and quality matters. We try to put our best foot forward when it comes to that.

Varun Singh: Understood. And in the offline space, given such a rapid rise in the organized retailers cohort, I mean, all from the private label retailers and ethical price disruption, etc.,, which is happening into the space, do you think these so-called retailers are building up, maybe respectable competition to us in our space itself? I mean what is your view on this part?

Karthik Yathindra: Mr. Singh, I didn't get that question completely. Are you referring to large retailers who are operating with private label?

Varun Singh: Yes. So retailers like Westside, Zudio Zmart, H&M, Zara, Marks & Spencer, everyone is also present in our space. So and given the rate of growth through which the store expansion, etc.,, is also happening, so in that context, just wanted to understand from you that you think like these retailers are building up a respectable competition to us into our segment?

Karthik Yathindra: Yes. Absolutely. We don't see our segment as any different. And yes, we do take all of these players as competition very seriously. It has been the case even in the past, not just in the recent times. Anybody who operates in the innerwear space as well as the athleisure space in the kind of price points that we operate in, we do consider them as serious competition. So yes, we just need to work harder to get our game together in order to compete with the number of players that are increasing in this space.

Moderator: Thank you. The next question is from the line of Rahul Maheshwari from Ambit Asset Management. Please go ahead.

Rahul Maheshwari: I had just one question. Can you give some highlight or color on the new launches which you have done in the past 1 year, whether it was regarding the casual pants and within the subsegments? And any such further pipeline, not in a specific number specific, but it would be very helpful to know how the pipeline is contributing to the top line. And any targets which you are keeping in mind?

Karthik Yathindra: Thank you, Rahul, for the question. Yes. Over the last year or so, I think we've had multiple products come in. In the outerwear space, we've really found a nice niche in what we consider as workleisure. A lot of these comfortable pants that feel like track pants but actually look like work pants are something that we've gotten into and offered a sizable offering there both for men and women, which has been hugely successful amongst consumers.

As far as the innerwear space is concerned, I think we've the biggest launch we've had is what we call as Jockey Life, which is a sustainable range, an eco-friendly range both for men and women in the innerwear space. These are the two large spaces that we've entered in the last 1 year. And our product pipeline is as robust as it always was. So we have enough new products coming in over the next couple of quarters as well as next year's pipeline is pretty full as well.

So we'll continue to innovate as far as the product portfolio is concerned and continue to launch new product categories. Our launch, of course, goes in, in a phased manner. We don't go into a first launch kind of an approach, but take it in a phased manner and penetrate the market to make it a business for the long term rather than have one short burst and then exit. Because we don't operate in the fashion space or the high fashion space largely. All products that we design or gaps that we believe that a consumer will buy and use for a long term. So that's the space we're trying to track.

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

Tejash Shah: Just one follow-up. Sir, you spoke at length on the initiatives and interventions that we would have made to revive growth momentum. Just wanted your incremental insights on your read on the consumer sentiment, particularly within our EBO channel because that would be much more pertinent. Are you observing any shifts in footfall, uptrading or other signs of growth on the ground?

Karthik Yathindra: Thank you, Mr. Shah. I think it's there in the market commentary. We don't believe that the consumer sentiments are back to where it was or where we would like it to be. It is still pretty muted. We would like it to be a lot better. However, all retail metrics beyond walk-ins have been very strong in our EBO business. We are seeing considerable growth in our basket size as well as transaction values for the consumers who are walking into our channel.

Moderator: Thank you. The next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

Sheela Rathi: So last few quarters, Tier 1, Tier 2 –and Metro markets have been underperforming for us versus Tier 3, Tier 4 markets. Is there any change there in the recent quarter? And at the same time, how large will be the contribution of e-commerce for Metro and Tier 1 cities as well?

Deepanjan: Thank you, Ms. Rathi. I think the trend continues. Tier 3 and Tier 4 continue to grow above average to the brand average, which means the averages are being pulled down by Metros and Tier 1 as it stands today. And the story is no different for the quarter gone by. As far as your second question is concerned, e-commerce and specific, again, for us as a brand, it's not very different to our off-line contribution when it comes to geographies. It tends to mirror of course, there is a slight skew towards Metro and Tier 1, but not very significant.

Sheela Rathi: Okay. And last quarter, e-commerce growth was about 32%. Is there I mean, you had called that out. So is the number faster than what we saw last quarter?

Deepanjan: It is more or less similar sorry, go ahead.

Karthik Yathindra: Yes, e-commerce growth has improved. It has been significantly higher than the brand average.

Moderator: Thank you. The next question is from the line of Rishi from Marcellus Investments Managers. Please go ahead.

Rishi: Mr. Ganesh, can you hear me? .

V. S. Ganesh: Yes, yes.

Rishi: I just wanted to check in with you on the Odisha facility, which is expected to come online in Q4. What would be like the base costs that would come into our P&L in Q4? And then how would the ramp-up happen and like when do you expect that the EBITDA margins will come back to our 19% to 21% range?

V. S. Ganesh: Sorry, what was the first part of the question? If you can come again?

Rishi: The first part of the question was that the Odisha facility, like it will have a base operating cost that will come in before the facility ramp-up happens. So what is that base cost that you're expecting?

V. S. Ganesh: Okay. It will not be significant because, see, this is not just a sewing plan, It's a composite plan which is going to make it's also a store for the raw material. Then we have the distribution center for that region from where we can do billing, and we have sewing facility, and we also have an elastic plant there. So these are many of this can be ramped up quickly. So we can absorb the cost better and we can offset some of the costs, which are there in Bangalore and other cases, while we ramped up the Odisha. So the preoperative costs in Odisha is not going to have a significant impact on the bottom line.

Rishi: Okay. So basically...

Deepanjan: Also to add to, I think Odisha has got significant subsidies. So addition of the Odisha facility will only add to our EBITDA in the periods when subsidy remains.

Rishi: Until which periods the subsidy is in place?

Deepanjan: I think there are multiple schemes ranging from 5 to 7 years once the production starts.

Rishi: Okay. And the quantum would be like how much savings are we getting from those subsidies?

Deepanjan: They are significant. For example, I think in the wages, state government will be contributing to almost INR2,500 per head. So such subsidies are there. I think the overall quantification, we are yet to get into that.

Rishi: Okay. All right. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal Financial Services AMC. Please go ahead.

Aliasgar Shakir: Just following up on the same question. You mentioned 4% is the gap in H1. Can you just quantify how much would be the impact given that now a large part of the secondary channel inventory cleanup is behind us? How much you anticipate the impact would be between the second and primary sale in the coming couple of quarters?

Karthik Yathindra: Mr. Ali, that's a tricky one. It's hard for us to compute and say what is going to be the impact. It depends on what rate at which we perform the secondary level itself to see what that quantum would be in terms of delta between secondary and primary. It's hard for us to comment on that.

Aliasgar Shakir: Got it. But it should be lesser than what we saw in H1?

Karthik Yathindra: I would hope so, yes.

Aliasgar Shakir: Understood. And just second question on the margin, sir. So you mentioned that we are seeing raw material prices benefit, and that's obviously also helped us do much better margin than our typical guidance of 19%, 20%. So should this benefit continue and we should expect our margins even in the coming quarters ahead of our guidance of 19%, 20%? I understand you also mentioned that there is some impact of IT cost towards the changes we are making. So in line with that, if you could just help us how much should it trend?

Deepanjan: So I think as we indicated that we see one bigI would say, a stable factor has been the cotton prices. So this is something we have not seen any trends to believe that there will be significant upside in these prices. So it will remain fairly stable for the current financial year. The other component or the second major component is the labor cost, which is quite stable. And of course, there will be a state level revision of labor cost end of the year, which is naturally built into our entire working.

So given that these two factors are fairly stable, the gross margins or even the operating margins, which is dependent on these factors are well within the 19% to 21%. But yes, I think the IT costs or the transformation costs, it will start happening largely from Q3 later part, in even Q4. That will impact our margins to some extent. But yes, even considering that, we expect to remain close to this 19% to 21%.

Moderator: Thank you. The next follow-up question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: I hope I'll get a chance to ask both the questions. So Deepanjan, my first question is on other income. We have seen a very sharp increase. Is there any one-off sitting here?

Deepanjan: It's a relative thing. So we had certain borrowings last year during this time. We are just getting out of borrowings last year. So this year, we are completely debt-free. And naturally, the interest is much more healthier than bank balances. So that is resulting in more interest income. But yes, I mean, going forward, we are deploying more funds for capex expansion and those kind of things. Then, yes, we can see a dip. But otherwise, we can if the cash balance remains at the same level, then we can expect same level of interest income as well.

Shirish Pardeshi: Okay. Similarly, on the other expenses, it has grown almost 15%. So just more curious what is the nature of this expense?

Deepanjan: There's two major components which is resulting in this increase. One is marketing spend. If we are comparing between last quarter, that is Q2 FY '24 and now, so we have done more marketing spend. And as we said, the IT spends are also relatively much higher than when we compare with last year. So these are the two major reasons which has contributed to a higher spend as far as other expenses are concerned.

Shirish Pardeshi: Could you quantify what is the marketing spend as a percentage of sales, which we have been normally spending, and if that number has increased significantly this quarter?

Deepanjan: No, as a policy, we typically spend around 4% to 5% every year, and that's what we continue to do. The previous year and the year before, we have a slightly conservative in the advertising spend. It was ranging in the range of 3%, But yes, we have gone back to a normal spend, and we are well within that 4% to 5% of revenue.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Deepanjan: Thank you, everybody, for attending this earnings call. Your questions were quite insightful. So we look forward to further interactions with all of you.

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