



31 May 2023

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

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

Dear Sir,

Sub: Audio Recording and Transcript of Investor call

We herewith enclosed the transcript of investors call for the financial results for the Quarter ending 31 March 2023.

Audio recording of the investor call is available in the following link:
<https://youtu.be/L9oPl6VC93w>

This is for your information and records.

Thanking you,

Yours truly,
For Page Industries Limited

Murugesh C
Company Secretary

Encl: as above



PAGE INDUSTRIES LIMITED

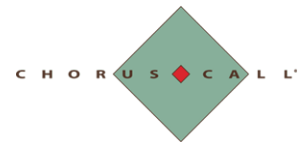
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PAGE INDUSTRIES LIMITED

“Page Industries Limited
Q4 FY '23 Earnings Conference Call”
May 25, 2023



PAGE INDUSTRIES LIMITED

MANAGEMENT: MR. V.S. GANESH – MANAGING DIRECTOR – PAGE INDUSTRIES LIMITED
MR. K. CHANDRASEKAR – CHIEF FINANCIAL OFFICER – PAGE INDUSTRIES LIMITED
MR. GAGAN SEHGAL – CHIEF OPERATING OFFICER - PAGE INDUSTRIES LIMITED
MR. RAHUL SHUKLA – PRESIDENT AND CHIEF RETAIL OFFICER – PAGE INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '23 Earnings Conference Call of Page Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. V. S. Ganesh, Managing Director, Page Industries Limited. Thank you, and over to you, sir.

V. S. Ganesh: Thank you, thank you so much and good evening everyone. Thank you all for joining us on the call this evening. Well, we ended the year well and we clocked a healthy growth, though we had a challenging Q4. As expected, the demand is subdued. Q4 performance was also coloured by the impact of ARS implementation. As you remember, we had paused ARS during the pandemic and reintroduced ARS during the second half of this year.

Given the scale and complexities of 4,800 plus distributed accounts, we know this is going to take some more time to make this transformation shift from push-based to pull-based auto replenishment system. We believe this is the most important transformation which will pave the way for years to come. While the overheads were not optimally absorbed in the Q4, we have taken aggressive measures to control cost as we move forward.

We are very, very optimistic about the long-term view of the business given the consumption, industry and economic drivers and we continue to focus on intensifying general trade distribution, modern trade expansion including rapid expansion of exclusive brand outlets, growing online business, improving our customer experience, strengthening our product portfolio and in ensuring a very robust supply chain which is robust and agile.

Let me take you through some quick highlights before our CFO details the financial performance for the quarter and for the full year. Our full year revenue has grown by 23.2% whereas the volume has grown by 13.1%. Q4 revenues have degrown by 12.8% year on year and 20.8% quarter on quarter whereas volumes degrew YoY and QoQ by 14.6 and 19.2 respectively.

EBITDA margin degrowth for the quarter can be attributed to higher product cost and under absorption of other overheads and as I told you before we are taking measures to control all the expenses as we move forward. As we reinstated normal advertising expenses this year, a good share of that was invested during Q4. As of March end we are present in 120,000 plus MBOs, 1,289 EBOs and 3,000 plus LFS. Our channel expansion continues to be in line with our plans and we are also happy to inform you that our e-commerce business has grown by 41% in Q3 and 34% in Q4.

I will now let our CFO Mr. K. Chandrasekhar to give a detailed view on our financial performance after which we would be happy to take your questions. As usual, on our panel today, we have our CFO, and I'm also joined by Mr. Gagan Sehgal, our Chief Operating Officer; and Mr. Rahul Shukla, President & Chief Retail Office. They will be more than happy to answer any questions that you may have in their respective domains.

Thank you once again for joining the call today, and over to Chandrasekar.

K. Chandrasekar:

Thank you Mr. Ganesh once again welcome you to the Page Q4 FY '23 Earnings Call. FY '23 results were good we clocked INR47,886 million compared with INR38,865 million as some of you would have noted. This is a growth of 23% the volumes had a 13% growth to nearly 216 million pieces. EBITDA showed a growth of about 10% to INR28,627 million. The margins are at 18% EBITDA margins are at 18% which compares with about 20.2% in the previous year mainly due to sales related expenses and advertisement investments.

The FY '23 PAT is at INR5,712 million which is 6.5% growth over the previous year. The PAT percentage is 11.9 compared with 13.8. The quarterly Q4 performance has not been up to our expectations due to the external environment and that we did not achieve the revenues we were planning. So we ended up at 9,691 million which is a degrowth of about 13%, quarter-on-quarter degrowth of about 21%.

The EBITDA reported at INR1,345 million compares with the INR2671 million year-on-year and this is a degrowth of around 50% YoY, quarter-on-quarter there is a degrowth in EBITDA of around 30%.

EBITDA margins are at 13.9% and it compares with 24% year on year and around 16% quarter-on-quarter. As explained by MD in the opening remarks, the margins are impacted due to COGS of 2.6% and 7.6% opex and because we could not achieve the revenues the absorption has been over. While we have not stopped investing in advertisement but the absorption of all the opex has been over.

The Q4 PAT profit of the tax is at INR784 million. It's a degrowth of around 59% year-on-year and quarter-on-quarter it is a degrowth of around 37%. The PAT margins therefore are 8.1% compares with year-on-year 17.1 and quarter-on-quarter 10.1%. Inventory has also been at an all-time high so far. We are close to almost INR15,950 million and quarter-on-quarter it is about INR14,963 million.

Inventory days are 120 against 92 of the previous year and of course due to the lower revenues and volume, the inventory is taking much longer. As you know, we had done advance inventory. We plan for advance inventory in anticipation of growth which didn't happen so therefore the inventory will take longer to liquidate. The net working capital is at 7,017 million compares with about INR8,045 million quarter on quarter. The working capital days at 59 days are generally in line with the previous year.

So, with this I hand over for the Q&A session please.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Tejash Shah from Spark Capital. Please go ahead.

Tejash Shah:

Sir, first question pertains to the growth side. So despite Omicron wave, if I see Y-o-Y degrowth looks a bit loud in numbers. So just wanted to understand if you can give some more read on the slowdown that we are witnessing and how in your assessment how early you see this demand sentiment turning around for us?

V. S. Ganesh: Okay Tejash, thanks for asking this question Tejash and there are two parts to your question because for us this is part of this market and second part is because we also knew what we are getting into when we are implementing the auto replenishment system. So if we look at our Q4 performance, yes the market has been subdued and we actually expected Q4 to be from a market sentiment point of view much better than what we thought it is going to what actually turned out to be.

So that did impact and we also were bracing ourselves for some initial setbacks as far as ARS is concerned because you know during the pandemic the distributors inventory became varied outside it because they were buying based on what is available rather than what is required by the market and you know there was a huge demand shift that the market witnessed. So both of it didn't help.

This is also one reason we thought we would rather take that bitter pill and accelerate the ARS implementation because the faster we do the better. So and this is a very complex and the sheer size of this transformation is so big that we were expecting few quarters of tightness but the market not being so buoyant also didn't help us.

As you know we have 4,800 plus distributor accounts and we know that this is going to take time and we need to go at SKU basis because what actually happened during the first phase was that the core styles you know they were having extra inventory and that was coming down but it was not triggering a reorder and the other styles which are potential winners for us which were not actually purchased and this is also to do with the liquidity in the market and other aspects.

Now that we have we have got some help on these we are able to push it further but this is a very, very important transformational project for our company which will help us for quarters to come. So it is good if we tighten ourselves for one or two quarters more till we cross the bridge and we are taking all necessary action to protect our margins as we move forward and implement this flawlessly.

Tejash Shah: Is the peak phase of this transition behind us? Or you believe, as you said, 2 quarters more? So should we expect that the peak will actually be in the coming quarter of this transition?

K. Chandrasekar: It is a tough question to answer because it is very difficult to dissect how much is because of this ARS transformation and how much is because of the market, which is not buoyant. If we think by latter half of Q1, in fact, by June, if things will start moving around, we will definitely see huge improvements. So in fact, we already see some improvements. But this would be much better than what we are thinking. So we are basing ourselves when market improves, we will be the first guys to bounce back. We are all ready for it. So first one if you ask me I think we have seen the bottom of it.

Tejash Shah: Perfect. Second, if you can give some colour on the current slowdown in terms of qualitatively, are you seeing it much higher in certain category or channel

V. S. Ganesh: It is across the channel off-line basically because as you see, we had a pretty healthy growth in the online channel. So we are trying to understand why this is happening. But if you see it is across, and we think the consumers are postponing the buy, and it's consumer time because

luckily we are in the discretionary space so we will be the first ones to recover. That's how we read it.

Tejash Shah: Sure. And sir, last one, if I may, would you take any pricing intervention to revive demand in terms of cutting or offering some...

V. S. Ganesh: We are fairly priced. I think we are a value for money brand and we don't see any immediate need for a price intervention, because if you see, despite all this, we have performed better than many other brands, so price is not a barrier for us. We don't see an immediate need for intervention.

Moderator: Thank you. We have our next question from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity, sir. So my first question is with regards to the high-priced inventory of cotton. So is it now over or because of the subdued sales, we do see still the high-price inventory being carried in the inventory?

V. S. Ganesh: Gaurav, yes, since we were carrying a lot of inventory the high price of cotton, we did have that impact in Q4, but the benefit has started flowing in, and I can say even as late as March of Q4, we have started seeing the benefit. So we have crossed a bridge.

Gaurav Jogani: Okay, sir. So my next question is with regards to the demand pattern only. We have seen some demand volatility over the past couple of years with some sharp demand across the industry due to the COVID pent-up demand. And now this demand seems to be normalizing either by way of lower customer demand or ARS implementation. So on a CAGR basis, do you think that would be the right metric to look at the demand? Or do you see this impact is temporary and we might see the old demand coming back?

V. S. Ganesh: I find, Gaurav, the market looks very subdued. So I think it will take some more time for the old demand to come back. We are actually patiently watching as we are ready to bounce back the moment the market recovers. Generally, across trade, the inventory is very high. The inventory levels are very high. There is tightness as far as liquidity is concern. So I think it will take some more time for recovery to be seen.

Moderator: Thank you. We have our next question from the line of Ashish Kanodia from Citi. Please go ahead.

Ashish Kanodia: The first question is in our inventories. So when we ended 3Q, our inventory level was already very high and given that the demand scenario doesn't look very buoyant, what is your take to the incremental built up even quarter-on-quarter in 4Q?

V. S. Ganesh: There are two reasons, Ashish. One is, of course, the demand was not as we anticipated. But the second part is, we had a high level of raw material inventory. This is because as you saw, it's one, the demand was so high and the market was so buoyant, and nobody predicted this kind of drop. And therefore, the supply chain was gearing up for a high operating level and they were purchases.

During the pandemic also as Chandrasekar rightly said in his opening remarks, during the pandemic also, we built inventory because the supply chain was so disrupted, we did build inventory. So what we did was we converted this raw material to finished goods because we have to keep our operating costs at an optimum level, we need to utilize our capacities. So we made sure that this inventory build-up is healthy, and we make sure that what we are producing our core sites so that we don't have the threat of slow-moving or non-moving inventory at a data point all the time.

So it was a balancing act of utilizing our inventory to utilize the capacities we have built and thereby manage the operating cost and also have a healthy inventory at finished goods. So this year, we are very optimistic will normalize as we move forward because we have tuned our supply chain in such a way that the supplies going forward are going to be lower than what we are going to sell so that we can bring the inventory levels down. So you will see quarter-on-quarter improvements as far as the inventories are concerned.

Ashish Kanodia:

Sure, sir. And the next question is on the demand front right so, while I understand, there is some impact coming from ARS and channel inventory being high. So I just want to understand from two perspectives, first if you can give some sense on, how the like for like sales for EBOs has been because that gives so much clearer picture in terms of the real consumer demand.

And the second thing is, if you can you know qualitatively state between the categories say, men's innerwear, women's innerwear and athletes are there relatively, which category from an overall company perspective, suffered more volume decline and which did relatively better.

V. S. Ganesh:

Okay. So to answer your first question Ashish, the EBO growth was in line with overall growth. So and that's the true reflection of the demand but we did see some softening in the last couple of months say March and April and that actually is a very true reflection of what is happening in the market, that is the best way we can sense it. So that's where, I told you before that the market is not on that point.

Coming to a category, of course, this is we can see this happening across categories, even though some of our premium products seem to be faring better but it is across categories and there is also some shift in the consumption pattern as far as outer wear is concerned. So it is moving more away from at home wear to the athleisure.

So there is out of home wear, so there is a shift which we can see and that has actually caused some disruption across the market. I'm not just talking about Page or Jockey, across the market, we can see that. But that is something, which is question of time, before it normalizes, but there is definitely a demand shift or a consumption shift in the outer wear space.

Ashish Kanodia:

Very helpful, sir. This is last question if I may ask is, on the margin front. I think, in the opening remarks there was some discussion that, there was some impact of 2.6% on COGS and 7.6% on opex. If you can elaborate on that and also looking into FY '24, do you still maintain the margin guidance of 20% to 21% or any change in that? Thank you.

V. S. Ganesh:

KC you want to take that.

K Chandrasekar: Yes, I had explained earlier, we came in with high price inventory, which is liquidated now selling consuming slower one, due to that, we had in fact on the on the graph, on the margin. At the same time, on the opex, while we haven't overspent in terms of the opex, particularly in Q4. We had about 1% percent more on advertisement actually 1.4%, we spent more on advertisements. On the revenues of the respective quarters year-on-year.

Also on selling overhead, we had spent about 2.3% and that is largely, due to the trade engagement and the commission, which we paid for the ecom marketplace and since ecom, there was a growth. The marketplace commissions were more than last year. So these are two of the significant items, we also had higher and absolute terms, the salary is not too high in Q4. We also had about 2% more on the corporate, on the staff's family. So these are largely explaining the 7.6%.

The other question as to the guidance, so in terms of that, why we do not sort of give a guidance or forecast, what I can tell you is that, if we had, we did 9,691 revenues for this quarter. If it was 11,111, which we achieved last year Q4, we would have hit an EBITDA percentage of about 17%, 17.5%. So definitely, our aim is to get back into 18% to 20% EBITDA margin and that also is supported by the inventory cost, will be coming in lower in Q1 and more so in Q2. So that would be rather than increasing the price as V. S. Ganesh said. Our approach would be to tighten the cost and improve the revenues. So, we will definitely get back to that range. This is something, we look at as another ratio and as far as Q4, on a bit of Q3 is concerned.

V. S. Ganesh: Thank you, KC and this just, if I can add on what KC said, we have made a conservative budgets and have tuned the expenses to be in line with those budgets and we also done enough work in our supply chain, so that we cannot actually take care of the upside as in when market bounces back. So, we will have as KC said, we there will be a margin, tremendous margin recovery as we move forward.

There is no question about that and on this front, KC was also speaking about advertisement and that is something, which we are going to speak to because we are very bullish on the long-term and we are not going to cut those costs because these are necessary because we have a very rich product portfolio. The consumer will be excited to discover them and we need to facilitate it. So we are going to go all out on those aspects because our long-term outlook is very bullish and what we are going to do is, to control all the other expenses, which may not be customer centric. Which are nice to have or for a long-term growth of the company, which we will do, when things recover. We will go aggressively and pursue those options.

Ashish Kanodia: Sure, sir. Very helpful. Thank you.

Moderator: Thank you. We have a next question from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Hi sir. Sir, I just wanted to better understand this demand environment a bit, with without necessarily, why you are not able to give an ARS impact in the order, understanding the demand trend would have weakened further from third quarter levels in this quarter. And should I read

that comment on recovery as a sense of that changing, as we go into the first quarter that, would be the first part, sir.

V. S. Ganesh: You are right Mr. Mehta, according to our read, the demand has slackened, further in Q4. In fact, we were thinking, it will be as bad as Q3. We never expected a further slack and that is, what gave us a bit of a surprise. But now, we have braced ourselves to the reality and taken necessary corrective action but you are right. The Q4 demand seems to have slackened further and when I see the numbers across retail, it is further making it clear for us that, demand seem to be got more subdued in Q4.

Avi Mehta: Has that changed in first quarter, sir? As of now...

V. S. Ganesh: We are seeing some improvements definitely, we are seeing some improvement. But you know, again it may not be comparable to our last year Q1 because that was a record year for us and H1 was so good last year. So it may not be comparable but if I compare to Q4, I can definitely see some green shoots emerging.

Avi Mehta: Okay and so the ARS impact is going to be there for two more quarters, right, that's what you also said?

V. S. Ganesh: Yes, it is going to be but we are prepared for it. We will be managing this very carefully. So from an overall numbers point of view, we are seeing the bottom of it. But ARS, yes, two more quarters is going to be the transitional period as we read it. It can be shortened, if there is a demand picks up and if the inventory starts flowing out of the system, it can be hastened. So, I'm talking about the worst-case scenario here.

Avi Mehta: Got it, sir. If you can give us a sense on the pricing because we understand from the channel, there is some hike that we have done, which is our annual hike. Is that understanding correct and if you could kind of just clarify that part, sir?

V. S. Ganesh: Then, we did a price size last year 3.6% and nothing beyond that and we don't see an immediate need for any intervention.

Avi Mehta: Okay, sir. Perfect, sir. And that's all from my side. Congratulations to Deepanjan on the new appointment and thank you Chandrasekhar sir, for all your clarifications.

V. S. Ganesh: Thank you, thank you from me, for telling that and let me take this occasion to, on behalf of the Board and the senior management of Page and all the associates of Page, to thank Mr Chandrasekhar for his tremendous job, which he has done and wish him a very happy retired life.

Avi Mehta: Thank you. This has been very helpful, thank you very much. Thanks a lot.

Moderator: Thank you. We have our next question from the line of Nihal Mahesh Jham from Nuvama. Please go ahead.

Nihal Jham: Yes sir, thank you so much and good evening to the management. Sir, one clarification on the ARS discussion that, is it possible to get a sense of the impact by looking at the secondary to

tertiary sales ideally because that in a way, would give us a sense of how the market demand has been and obviously, the lower replenishment would in a way give us the sense of ARS. Would that be the right way to look at it?

V. S. Ganesh: Absolutely. It would be the right way to look at it, but our visibility as regards tertiary will be a bit clouded because we don't, we can't get a real time and the exact visibility on that. Secondary, we get a very clear visibility. So that is, as you rightly said, one way of looking at it and the second is, since we get good end-to-end visibility on our EBO side, that is a good indicator and that's, where I said, if you look at last two months there seem to be an enhanced subduedness.

Nihal Jham: Got that and if I could follow up on that, in earlier calls, you have given an indication of how the secondary sales has been, where you have visibility. Possible to just give a sense of how that number was for Q4?

V. S. Ganesh: Well, our secondaries, when you implement ARS, your secondaries are bound to be a bit more higher than primaries because you are actually flushing away the inventories and that is the trend, which is happening and that's why, we said, they'll be immediate here because the secondaries have to outpace the primaries in the immediate until the distributed inventory come to normalizes and from there, you hit a great rhythm. So across the year, if you look at it, the secondaries and primaries have matched up. Your secondaries are aligned with primaries.

K Chandrasekar: Just to add, if I would come in, the secondaries in Q4 were actually marginally higher compared to last year and so it was the ARS in fact, that the distributed inventory was getting corrected but the market was getting replenished with the existing distributed inventory and the relevant inventory.

Nihal Jham: Got that. I think that was helpful to give a sense. I had another question on the, athleisure bit of it. Last you did highlight that, there was a category, which has been growing pretty well and even channel checks, as well as a lot of other commentaries were saying that the category is facing pressure as the athleisure consumption somewhere is moderating. From ARS going forward, what are the initiatives that, we are taking to see towards the, those category continues its long-term growth or maybe at least matches up to the growth at it over the last few years. If you could just highlight some of those?

V. S. Ganesh: Athleisure, the line was not clear. I think, you were asking about Athleisure, right?

Nihal Jham: Yes, my question was on Athleisure that, the market is subdued at this point in time. What are the initiatives on our side, we are taking to see to it that, the growth sustained. Even post the COVID bump that, was seen over the last 24 months.

V. S. Ganesh: Okay. So, if I look at it from a long-term perspective as a country, this is one category, which is going to grow tremendously because there is the lifestyle change. There's a high fitness awareness and therefore, this is one category, which if you see any commentary, everybody is in unique sense and saying this is one of the emerging categories, which is going to see accelerated growth. Now, what we are seeing is a temporary bump. This is also because if you look at like to like, during the pandemic, the consumption was high.

In fact, many brands including us, we, what would have taken three years for us to grow, we achieved in one year. And, when you compare against that, you obviously will hit a bump, when there is a correction. So our long-term view is very bullish and therefore we are leaving no stone unturned as far as product innovation is concerned, launching new products. We are going to go all out and giving all the necessary attention to this category. And we are having more exciting products in the pipeline.

We are looking at upgrading our existing product portfolio, so that there is much value for many of our consumers. And we are also going to come with more exciting products, which will cater to the cross-section of our consumers, in the lower end to the premium side. So we are looking at the prospects of it and to launch more products, which are going to be more friendly for all the category of people.

Moderator: We have a next question from the line of Manish Poddar from Motilal Oswal. Please go ahead.

Manish Poddar: Final three questions. One is any sense of market share you have, let's say, in the men segment, or let's say full year collectively or let's say it's a part?

V. S. Ganesh: Well, Manish, as you know, there is no syndicated study on the market share as well as market share official numbers are concerned. So what we do is, I can say we can talk about the penetration, looking at our PG. And if you look at it that way, we are in the high teens, around 17%, 18% market share on the men's innerwear. And that's where we keep saying there's so much headroom for us to grow. And as far as other categories are concerned, even though we are the most dominant players in most of the categories, we are single digit.

Manish Poddar: No sir where I'm coming across is have you gained market share by your pay checks you know you would be doing all you know just through the sales channel and stuff like. So I'm just trying to understand any sense where your market share is in the category -- the men's category largely

V. S. Ganesh: So that's as I told you as far as men's innerwear is concerned, we are at around 17%, 18%...

Manish Poddar: Has that improved is what I'm trying to understand for the full year?

V. S. Ganesh: No, we are in that zone. So if you're asking whether compared to last year, it has improved, I can say we have grown more or less in the same zone.

Manish Poddar: Okay. And just the second part. So how much is the inventory in the trade? If you can just help me understand that in terms of number of deals in...

V. S. Ganesh: Gagan, you want to take that?

Gagan Sehgal: Thanks for the question. Are the inventory levels at the distribution level or the trade level at the retail?

Manish Poddar: At the trade level because it was 75 days last quarter in the earlier comment you mentioned to optimize the capacity, you've put in some inventory in the trade. Now that is relatively higher. So I'm just trying to understand what is relatively means?

- Gagan Sehgal:** So we typically operate at around 50, 55-day inventory at the trade level.
- Manish Poddar:** And what is that number right now?
- Gagan Sehgal:** So currently, also maintaining, as per our information right now, we are maintaining at around 48 to 50 days of trading.
- Manish Poddar:** So would that be fair to understand if the inventory in the trade is at normal level? It's not high, just that demand is lacklustre.
- Gagan Sehgal:** The inventory at the trade level in terms of placement of our products, we are where we were in fact for all our product lines. There is nowhere that the inventory has come down. We are still maintaining interest in. When it's a reflection of pressure in terms of replenishment by the distributor.
- Manish Poddar:** So okay. And just one last one for the full year '23, any broad sales cut by category, just broad headline, let's say, 30% to 37%. Any sort of sales cut on our cross-categories? That is all. Thank you.
- Gagan Sehgal:** More or less, the growth that we have mentioned for the year has been inline, all the categories have always grown at the same level itself. There's not too much of difference.
- Manish Poddar:** So can I squeeze in one more?
- Gagan Sehgal:** Yes.
- Manish Poddar:** So just an initial comment then, if the channel inventory is in fine shape why are you mentioning ARS implementation will take some more time?
- Gagan Sehgal:** See, what happens is that at the trade level, the inventory is at the right place with the MBO, whatever the MBOs want, they are supplied. But when there was a supply issue at that point of time, the distributor got a lot of inventory, maybe that was not relevant at that point of time. So that has not gone to the trade. That remains with the distributor.
- So it's distributor inventory levels went up. So with the implementation of ARS, the distributed inventory is getting corrected as per the market demand because then we will only keep what the retailer wants, so rather than the inventory level of the distributor going up. So this is the reason where the distributed inventory levels have come down. There is a correction. And this only through ARS is really getting what actually the market really needs. So it is not at the retail value was under distributor.
- Manish Poddar:** And sorry, just the same number 50, 55 days, what is the same number at distributor level last quarter also this quarter. And let's say, what is the optimum number versus now?
- Gagan Sehgal:** So normally, at the distributor level, it depends category-wise. But overall, we maintain a 45 to 50-day inventory at the distributor level.
- Manish Poddar:** And what is it now?

- Gagan Sehgal:** So the distributor level has got corrected by almost 20, 25 days what it used to be earlier.
- Manish Poddar:** But it is still 65-70 days or is it at 45 days only?
- Gagan Sehgal:** It has now come down to the 45, 50 days, which is the optimum level. And that is the inventory reduction that has happened where the distributors will continue the extra inventory, which was -- it was not as for the market. So most of the correction has always happened, and there's 20, 25 correction that has happened at the distributor point. And currently, the distributors are at a healthy for 45 to 50 days.
- V. S. Ganesh:** So let me also clarify this even to the number of days might have come down, but the inventory is lopsided. And this is where we are working on the ARS where in a SKU level, there will be a curated description as to what has we bought and that would be system-driven so that the 48 days is healthy inventory, because today, the distributor goes by cart and is based on historic data, and he doesn't see potential future billers, and he doesn't invest on it.
- And this is where the SKU comes, and this is why we said this is one of the most important initiatives for us, especially with the kind of volatility we are seeing in the market, unless we have a cool system and if we keep pushing and when there's demand volatility like what we have seen in the last 2 years, this is going to have so much supply chain peaks and troughs. And the best way to do it is to have a full system. So yes, 48 days is there, but we still have work to do on this trend.
- Manish Poddar:** That's perfect. Because actually, if you take 20 days delta change and you do it say INR10 crores sales per day, you are in the INR200 crores to INR250 crores sales loss. The only facilities just as a comment is, I shall to understand EBO was growing in the last quarter. And now when you're seeing EBOs growing in line with the company. So EBO sales have also declined materially. So that's the only dichotomy but nonetheless, thank you so much.
- V. S. Ganesh:** You are very right. And that definitely on the EBO side that is the indicator of the subdued demand.
- Moderator:** Thank you. We have our next question from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.
- Devanshu Bansal:** So in Q4, we saw launch of the men category innerwear EBOs. So just want to understand thought process behind this and the current distribution for this product?
- V. S. Ganesh:** Rahul, you want to take this?
- Rahul Shukla:** Sorry I didn't get the question, could you just repeat your questions Mr. Bansal.
- Devanshu Bansal:** The question was on launch of the men category in EBOs. So I just wanted to understand the thought process behind this launch as well as the current distribution of this product?
- Rahul Shukla:** Launch of women category?
- Devanshu Bansal:** Gents.

- V. S. Ganesh:** Rahul, I got this. I think the question was the launch of men's category.
- Rahul Shukla:** Okay. So Mr. Bansal, see, this was more of a test which we did. We actually wanted to see the pulse of the market. And we are continuing with it. But as far as the work pace is concerned, we need to be cautiously aggressive when we are embarking on this journey. So we announced this growth product to see how the consumer expectations and how it is evolving. So this is actually to take the category further forward.
- Devanshu Bansal:** So how has been the learning, sir? And what is the plan for distribution expansion for this product?
- Rahul Shukla:** The learnings -- it is well received. I can say the market is very excited. In fact, the very fact that you are asking this question itself shows that it is positive, and that is the feedback we are getting from the market. And this actually is a great sense of direction to our product development team as to take how to take the category forward.
- Devanshu Bansal:** Got it, sir. And second question was if you could provide the comparable gross margins that we used to reporting the PPTs in this time around, we have not reported.
- V. S. Ganesh:** Sorry, the line was not clear. I didn't get you.
- Devanshu Bansal:** The comparable gross margins which we used to report in the PPT in this quarter, we have not reported, which is around 40%...
- V. S. Ganesh:** We had about 41% Q4. And can you hear me?
- Devanshu Bansal:** Yes, sir. Yes, 41% in Q4.
- V. S. Ganesh:** And last year and this year, we are 38.2%.
- Devanshu Bansal:** And just if you could indicate how has the movement of this gross margin during the quarter as we indicated that the high cost inventory volumes earlier in Jan and then in March we saw those started to see the benefit of that. So if you could just throw some light on that?
- V. S. Ganesh:** We are generally in 39% to 40% range. Some quarters are an exception. Last year was an exception on the higher side. So the 39% and 40% is largely maintained. And I think going forward is the inventory costs are going to go lower then we would see that in gross margins.
- Moderator:** Thank you. We have a next question from the line of Ankit Kedia from Phillip Capital. Please go ahead.
- Ankit Kedia:** Sir few questions from my side. Sir the old products with the distributor would have bought in the peak over time, which you should have bought. Has those products been taken back by the company or you have liquidated that in the channel in last two, three quarters?
- V. S. Ganesh:** Sorry, Ankit. We usually don't take it back. So it gets retreated in the deal course of the business in the channel.

- Ankit Kedia:** So when you say the inventory days and the distributable level has come down so the fast-moving inventory would have only got liquidated. Because the slow-moving inventory would still partially be at the distributor level and create an issue in the ARS ports?
- V. S. Ganesh:** Yes. So that obviously will not trigger a new order. So there will be no top-up happening for those products because it usually works on a mini bags, so it would not get an order. And this where I said, as we implement this, these kinds of abrasions won't happen as we move forward because we will be replenishing a bite side. And with all the work which we have done in supply chain on quick turnarounds, we can simply replenish. So they need to be very smart, and we need to create the distributor inventory to the best possible level and have a good presence across SKUs.
- Ankit Kedia:** Sure. And sir, historically, the new launches were not part of the ARS. Now are the new launches part of ARS for the distributors?
- V. S. Ganesh:** Going forward, it will be. And it has to be so that the new product gives an opportunity for the market to decide on how to receive it. So it gets a fair play in the market. So it has to be in the ARS.
- Ankit Kedia:** And sir, last question, sir, Q1 is the best quarter for us historically. Now with demand environment being low and the ARS issues partly getting settled in Q1. Do you see you're a&M spend continuing to be higher for the full year or you will curtail your spends your efforts to maintain your margins?
- V. S. Ganesh:** Which spend you were talking about Mr. Ankit?
- Ankit Kedia:** Sir, advertising spends, because in quarter 4, despite the low demand, we will continue to spend on advertising and promotion?
- V. S. Ganesh:** Yes. See, Ankit, when you look at it, you have to look at it as a percentage of revenue also because if you just look at quarter-to-quarter what happens during the pandemic, we will spend a media dark and we didn't spend much. So it may look very high spend. But if you look at it as a percentage of revenue, we are going back to the old normal assets we used to do expense.
- And that is absolutely essential because see, these 1 or 2 quarters, we see this is a temporary rating, but if we have to sustain our growth and do justice to all the products which we offer to our consumers, we can't continue to be media dark and we need to make the necessary expense.
- So what we are planning to do is to at other costs, which can be passed or can be avoided, but we don't want to subdue any expenses where it matters. There, we want to go all out. We are very, very confident as far as long term is concerned. So we have a very bullish outlook. So we are not going to cut corners as well as the necessary spend are concerned.
- Ankit Kedia:** Sure. And sir, one last question, if I may ask. From first of 1st of April, you set up a new division processes with accessories. So if you can just highlight what is the growth opportunities you are seeing in accessories category? And how should we look at that apart from the innerwear and athleisure category?

- V. S. Ganesh:** So accessories, we created this division because we started doing this a few years back with the introduction of towels, then we had handkerchiefs, socks then we have caps. So all this, we're showing very good traction and it was getting well received.
- And when it reaches a particular point when we saw the acceptability of these products and the category, we decided that we need to create a division for this because the potential is there. And we can further take the business forward. So we have done this because we can see the huge potential in front of us, especially for socks.
- Ankit Kedia:** And would these division be approximately double-digit revenue contribution for Page product?
- V. S. Ganesh:** We usually don't give those specific numbers out. It is in your interest and our interest that we don't say that because it will be handy for the competition, so we don't give those clicks actually.
- Moderator:** Thank you. We have a next question from the line of Akhil Parekh from Centrum Broking. Please go ahead.
- Akhil Parekh:** My first question is in terms of the demand scenario, I mean you've already elaborated but Jockey has gone through that cycle in FY '19, the demand started to curtail from fourth quarter for FY '19 to elongated till third or fourth quarter of FY '20. So how similar or different demand situation is today versus the discretionary slowdown that we have seen during the fag end of FY '19 and start of FY '20? That's my first question.
- V. S. Ganesh:** Mr. Parekh, I feel, we will have to generally look at the stake of the inflation and the economy and what is happening in the retail space, that is what we are going through. So I don't think we are an extension to it. Otherwise, I think as far as sustained growth is concerned, we don't see any problems. If you see our retail expansion, it has increased so much and we will be able to milk it as we move forward.
- And we are going to continue to expand, as I told you in my starting comments, the EBOs, MBOs, we will have continued growth. And compared to '18, '19, we have much more exciting products to offer to our consumers and be on a sweet spot. So this is a temporary bump through which we are going through. But if you look at it long term, there is nothing which we see can stop us.
- Akhil Parekh:** Okay, would it be fair assessment to say that what we are -- where we are right now are largely driven by the macro situation and to some extent because of the ARS implementation, and there is absolutely no increase in competitive intensity from any of the regional players across the product category?
- V. S. Ganesh:** Absolutely. Because see with the kind of market penetration I spoke about, there is room for competition and for us. It's has not saturated, wherein we at 60% and the other part of the market as 30%. There is so much headroom and it's these are also growing categories. If you see men's innerwear, is supposed to grow compounded 10.5%, women's innerwear is slated to grow at 13%. So we need to accelerate and grow faster than that, if you have to gain market share. That is the kind of potential, which is ahead of us.

- Akhil Parekh:** Okay.
- V. S. Ganesh:** So if you look at it that way, we should say our competition is all sense.
- Akhil Parekh:** Okay. Sir, my last question on the margin plan like in past historically, we have been confident about maintaining that 21% to 22% of EBITDA margins and by and large, we were able to achieve over the last many years. Will you be able to give any kind of color or guidance at what kind of EBITDA margins, you should look at in the FY '24?
- V. S. Ganesh:** Well as Mr. Chandrasekhar said, as a company as a policy, we don't give guidance but at all that I can tell you is that, this is because when you take cost control measures, the juice doesn't flow overnight, it takes time. So all that action, which we have taken, it has started materializing. So, there's a tremendous margin recovery, which we can promise. So, we will be in a zone as per our budget, where we are comfortable. So historically as you rightly said, we always looked at 19% to 21% levels. We ensure, we can get close to it and if the market recovers in the second half of the year, we'll be in a very comfortable zone.
- Akhil Parekh:** Fair enough and thanks a lot and best wishes for coming quarter.
- Moderator:** Thank you. We have our next question from the line of Varun Singh from ICICI Securities. Please go ahead.
- Varun Singh:** Yes. Thank you sir for the opportunity. Sir, my first question is on the macro slowdown in the category. So, sir, if you can just help us understand, given that, it is the innerwear is an essential category and 17% to 18% is the penetration. 10% is the growth rate of the category that, you called out. And so like, what should be the basic reasoning for such a steep decline, in our revenue, minus the software implementation issue. So how should we read it because technically, if there is an inflation, there should be a down trending but even on volume front, etcetera. We see a kind of more of an impact.
- So, what are the other possible reasoning, could you ascribe to the, to our current growth numbers. Do you think the competition over here has a larger role to play or you think, any other trend observation, there is a brand fatigue, the given Jockey now, more than 25 year old brand. So, if you can give some more color that why into an essential category, which is so less penetrated, there is such a steep decline in our top line growth?
- V. S. Ganesh:** So, thanks for asking this Varun and let me tell you, I don't think, it's the competition because if you see, they are not exemption to, what we are going through. Everybody is going through the same patch. So, definitely it is not the competition intensity. It is because if you see the distributors also, when the supply was low, they were all trying to get hold of stock. Everybody over inventorized and now, they are trying to liquidate.
- There is also a liquidity issue in the market. So everybody is tightening the belt and that is where, the path, we are going through that patch and this is what exactly happened in the US also, if you see, the similar trend. So, we are no exemption to that and I do, I won't attribute this to competition intensity and we're coming to brand fatigue, definitely not.

In fact, today if you see our designs and styling's, these all catering to the young consumers and the way, it is received by your consumers shows that, there is no fatigue and this is backed up by the brand equity studies, which we have done and we have got very-very positive feedbacks, wherein we are way-way ahead, of all the other brands and then, the distance between us and the others is so-so high that we are very confident that, we are going the right direction. And this is true as regards, men and women both, both categories. We in both places, the brand equity study shows that, we are way ahead.

Varun Singh:

Understood sir. And sir, my second question is, now that, it's been more than five years that, we launched Jockey women and still kind of, we are not calling out the segmental contribution separately and which is fine but given the smaller base, I also recall that, we called out that all the segments have grown at a similar rate during the quarter.

Ideally, we should be expecting a higher growth rate from women and kids wear but still and also like, I was kind of doing some bottom up research and I could potentially see that, not many companies are there, which operate in both men and women wear, with the same brand name, but still like how should we read our aspirations especially, in the women and kids wear category.

I understand that, during the past con calls, we did highlight that, we have witnessed relative success in this category and we would be more than happy to see the category growing at a much faster rate. So the current growth rate, which is similar to other category, which like as an analyst, I would be expecting to grow at a higher rate. How should we read these things and hence our potential objective aspirations in both these segments?

V. S. Ganesh:

Very-very good question Varun. Actually, you are right. As you, what you are asking is since, we are, we have a lower base on women, we should be growing faster there and we said, we have grown equally across the board, which is true and this is, where we are taking all the necessary action to have accelerated growth of women.

In fact, if you see the previous year, we did that but this year was an exception but we are now making all the right interventions to have accelerated growth on the women's innerwear. Juniors actually has grown and I will say that, is also because of the low base, which we have and as far as juniors is concerned, we have kept our own trajectory. We are not trying to conquer and dominate the market.

We are present there and we are working to a plan because that is a very-very different category, when it comes to design, styling, go-to-market so. Even margin structure, vis-a-vis the competition. So, we are in a sweet spot. We have achieved what we want to achieve there and in fact, this is a category, which will help us to recruit new consumers. We are achieving the objective and we are looking at a healthy growth on juniors and it actually, it is on track. Women's you are right but we are taking all the necessary action to have accelerated growth and as you watch the market, you will see a lot of action from our side, in this trend.

Varun Singh:

Got it, sir. And then just one last question if I may, that on payables, what the reasoning for decline in the payables day, sir? Just a bookkeeping question, that's it from my side.

V. S. Ganesh: Mr. Varun, I didn't get you.

Varun Singh: Sir, our overall trades payable days, so that there is a reduction out there. So is there anything to call out over there or nothing as such.

V. S. Ganesh: Okay. KC you want to take that on the payable days.

K Chandrasekar: So, it is not very significant decline on the days, it is just that, we have been buying less. Our purchases have been less, it is more a matter of timing of relevant suppliers.

Varun Singh: Okay sir. So, ideally it should be roughly 20 days to 25 days between that.

K Chandrasekar: Yes, it is about 27 days and then the previous quarter, it was 29 days. So, it is not very different.

Varun Singh: Okay. Understood, sir. That is it from my side, sir. Thank you very much and wish you all the best,

K Chandrasekar: Thanks.

Moderator: Thank you. Ladies and gentlemen that was the last question for today I would now like to hand the conference over to Mr Chandrasekar K, CFO for closing comments. Over to you, sir.

K Chandrasekar: Thank you. Thanks to all of you have been, who have dialed in and who have been listening patiently to us, on the call and as always, appreciate your support for the management of Page Industries and keeping faith in all that, we do. Wish you, all the best. Thank you. Bye, Bye.

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