

Updated: 17-08-2019 11:33

Tags: @vishnu570

87-111 minutes

Hongasandra, Begur Hobli, Bang Aug 16, 2019 (Thomson StreetEvents) -- Edited Transcript of Page Industries Ltd earnings conference call or presentation Thursday, August 8, 2019 at 11:00:00am GMT

Page Industries Ltd. - CEO

Page Industries Ltd. - CFO

IIFL Inc. - Analyst

Motilal Oswal Securities Ltd. - Analyst

Motilal Oswal Securities Ltd. - Analyst

Elara Capital Inc. - Analyst

B&K Securities India Pvt. Ltd. - Analyst

SBI Life Insurance Co. Ltd. - Analyst

Vedji Ticku, Page Industries Ltd. - CEO [1]

This is Vedji here. I will just give you a quick update on the quarter one of 2019. Our revenues grew by around 1.86% and volumes had a slowdown by around 2.4%. Q1 is, of course, below our expectations and it's not much which has actually changed between our last earnings call and this one.

This was also driven from the slower growth across industries, including automobile, FMCG, and several other industries. We are optimistic and confident that once things start shaping up, we are in the right position to take the full advantage of the situation.

As I said earlier, Q1 has been below our expectations. We continue to aim for a stronger volume growth for the rest of the year. Based on our estimates, which I said even earlier in my last earnings call, the target market of 130 million consumers, we have a market penetration of around 19% to 20% in the men's premium innerwear and about 5% to 6% in the women's business. And only 6% to 8% in our athleisure business.

The good news is that the premium market is still growing at a double-digit number from the reports which are coming. The kind of headroom available can only grow -- we can only grow across all these segments.

On the marketing front, as I said in the previous call, we have realized all our plans, so we are pushing ourselves across all the mediums, which is television, digital, out-of-home, print, and of course below the line, which becomes a very significant part of our expense. We have been pushing that considerably during this quarter.

On the capacity planning, we are very sure that once the market opens up we should have the adequate capacity to fuel our growth. So to actually work towards -- we are working towards that 260 million capacity next four to five years.

So our [output] project has just started and we are on track. And the Mysore project, which has just been handed over last week, and we have started the preliminary work there. That will be I think around 800 machines for our new financial year.

The new project focus on the categories of financial year -- FY20 will continue our focused approach on the core business verticals of men's innerwear, women's innerwear, athleisure for both men and women, socks and towels. Piece business, as I discussed even last time around, is a special focus area and this first quarter has shown some good progress in that area. So our 100-odd people, which we shared last time

we have started to recruit, we already have around 80 people on board. And it's already showing some good dividends and as we going deeper and deeper into markets to spread our distribution [updates].

And for the Q1 results, I would now hand it over to our CFO and he will take it from here.

Chandra Sekar, Page Industries Ltd. - CFO [2]

Good evening, all. This is Chandra Sekar. Thank you, Vedji. As far as the numbers are concerned, we have talked about that we have seen about INR 840 crores in terms of revenue. And while this is only a 2% growth on comparative quarter last year, the positive is that it is about 36% growth on the immediate quarter before, which is Q4.

The margins have been maintained. As many of you who are following Page will know that we are consistently able to deliver 13% plus PAT, which we have done this quarter also. And the material cost as well as expenditures are in control. It is also the PAT is somewhat lower; we had about 11% degrowth compared to the quarter of last year, Q1 of last year. But it is still about 48% above the immediate preceding quarter, which is Q4 of FY19.

So we can get into the details depending upon the questions. So I suggest that we move on to the Q&A session, please.

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Questions and Answers

Operator [1]

(Operator Instructions) Avi Mehta, IIFL.

Avi Mehta, IIFL Inc. - Analyst [2]

Hi, sir. Thanks for the opportunity. So I wanted to start with the first comment that you made at the start, that there is a double-digit growth in premium innerwear segment. What data are you referring to, sir? And how does this -- is it that we have lost market share? If you could kind of clarify that, sir.

Vedji Ticku, Page Industries Ltd. - CEO [3]

No, what I said was the premium market is not market share. The premium market is growing by 10%. The overall market.

Avi Mehta, IIFL Inc. - Analyst [4]

Yes, but if the market is growing by 10% and our growth is sub-10%, would it not suggest market share losses?

Vedji Ticku, Page Industries Ltd. - CEO [5]

So this is a study which was done by [Images of] Fashion. And so which after having studied the various retail formats across the country, their understanding is that the premium innerwear segment is growing by 10% year on year due to various reasons. And so yes, since we have grown only 2%. But as I said earlier, we are getting to 120 million people across the country, and what you heard was not a Q1 growth.

Avi Mehta, IIFL Inc. - Analyst [6]

Okay, okay. Just the expectation that going forward of 10%, is that what I should understand, sir? Or was this last year?

Vedji Ticku, Page Industries Ltd. - CEO [7]

For the whole year. So the premium market for the year is growing at a rate of 10% year on year.

Avi Mehta, IIFL Inc. - Analyst [8]

Oh, okay. Thank you. Sorry, go on.

Vedji Ticku, Page Industries Ltd. - CEO [9]

Yes, so that was your question, right?

Avi Mehta, IIFL Inc. - Analyst [10]

Yes, sir. That clarifies it. So the second, which is if you could give any color on the segment-wise growth? Or what has been -- is this weakness largely in one category or is this across the board? If you could give any qualitative comment on the same, sir.

Vedji Ticku, Page Industries Ltd. - CEO [11]

This is obviously across the board. There is no particular segment which is -- see, this is -- as we all understand, you know, the market segment at this point of time is not at its best.

We also have a very large size of stores which is our own 630-odd stores, which gives us a very clear and we have the data, which is readily available and it syncs into us, our master data every evening. So we have a very good data for our footfalls and the number of pieces sold comparators with the past.

We very clearly see that the footfalls are not the same. It has been almost now, I would say, close to 18 months and it has not been improving. So there is not much of a difference since we made the call three weeks back -- three months back. So yes, the sentiment is still not what it should be. And so we doing anything what it needs at this point of time to sustain and then continue to grow whatever we can.

Avi Mehta, IIFL Inc. - Analyst [12]

And lastly, sir, you know, I understand, but any -- are you kind of hopeful that this kind of picks up in the second half? How should we look at that? How are you internally looking at it as well, sir?

Vedji Ticku, Page Industries Ltd. - CEO [13]

See, we internally are quiet in terms of the new product ranges, the availability of stock, production capacity. So we are all geared up. We just need some tailwinds to help us and then that is how -- when the economy will change, I won't be able to answer that. But I can tell you that as and when it changes, we are in a position to take on it.

Avi Mehta, IIFL Inc. - Analyst [14]

And lastly one, sir, simple clarification from Mr. Sekar. Just the EBITDA margin, sir. You know, if I -- and correct me if I am wrong, it seems to be on a like-to-like basis at the lower end of our range of 21% to 22%. Is that likely to be the state, given until the volume growth picks up? Or how should I look at EBITDA margin?

Chandra Sekar, Page Industries Ltd. - CFO [15]

EBITDA margins here are irrespective of the volume. And as far as this quarter is concerned, we have invested in people, so we have a little bit higher percentage of employee cost. But then on a full-year basis, this will sort of even out.

Avi Mehta, IIFL Inc. - Analyst [16]

Okay, sir. Okay, perfect. I will come back in the queue for the other questions. Thank you very much.

Operator [17]

(Operator Instructions) Aditya Soman, Goldman Sachs.

Aditya Soman, Goldman Sachs - Analyst [18]

Hi, good evening. My first question is again on the market share. So one of your key competitors, Van Heusen, reported a 67% sort of YoY growth in this quarter in premium innerwear. And that would suggest that most of the incremental growth in the category, if one looks at sort of 12% to 15% growth in the category, is actually going to these new players.

How would you react to this new competition that has come up? It now seems like the aggregate number is also quite meaningful, even if -- in terms of taking away incremental growth from the sector.

Vedji Ticku, Page Industries Ltd. - CEO [19]

So Aditya, if you remember in my opening statement, I talked about the market penetration brand Jockey has at this point of time. As a brand, our penetration is still around 15% of a very filtered-down target audience of 130 million people.

This 130 million men and women, so basically we are talking about 65 million men and 65 million women. And when I take it to men's, our understanding is by what number of pieces we sell to these people and the potential of pieces which can be sold. We are around between 19% to 20% in the men's side and only 5% to 6% on the women's side.

So when you talk about market share, this has huge headroom for everyone to grow. And you know the competition you are talking about, that is not the only one which is in the market. There are three or four players who are around in the market and they have been there for a long time now.

So it's not like this is the first time that Jockey has competition in the market. There have been many people around and there is a huge headroom. So your question about whether it is eating into our side, I would say no, because the market is (inaudible).

Aditya Soman, Goldman Sachs - Analyst [20]

Understand. But, I mean, the reason I ask this is obviously, I mean, these three or four other players have been growing, whereas Jockey, at least for the past four or five quarters, has seen growth that has been lower than per our past trajectory suggests. So I am trying to understand if -- obviously the fact that competition is growing seems to suggest that some of these players are taking away market share.

And compared with sort of being very small players in the past, now data would suggest that they are almost 10%, 15%, or even bigger as a proportion of total sales for Jockey. So how does the management sort of factor in this new competition? Or do you think is there a way to sort of better reach distributors or better reach the trade so that -- or better compensate the trade to ensure that growth for Jockey continues?

Vedji Ticku, Page Industries Ltd. - CEO [21]

See, it goes without saying, Jockey will do what it needs to do to continue pushing the envelope, whether it is the rate of distribution or it's even the depth of distribution. We have been working on both these aspects.

The fact is that we do respect -- I don't want to take names, but there is a difference between sales and keeping stocks at the stores, which is SOI model. We can probably double sales if we want to do SOI. So there has to be some sense to the business. So we know what we are doing.

And it is also a percentage of some which is probably 100 times bigger. So when you look at the actual numbers, then it doesn't look that different. Percentage-wise, yes, you can always feel that there are smaller guys growing at a larger percentage, which will always happen.

But having said that, we very clearly know that what our agenda is at this point of time. When the market is not growing for you, there are a lot of things and initiatives which we are working on internally to see that the balance part of the year we have better growth.

Aditya Soman, Goldman Sachs - Analyst [22]

Thank you. And in terms of the growth for the rest of the year, so we should expect a gradual improvement in the trajectory, irrespective of the underlying market? Or do you think we will need to wait for the underlying market to improve to see --?

Vedji Ticku, Page Industries Ltd. - CEO [23]

As I said, this is (inaudible) way below our expectations. We know what with these kind of targets in mind. We will continue to push ourselves to excel. Yes, market will play a big part and big role because eventually we are selling the same market.

So, yes, market support will be required, but all I can assure you that we as a Company are ready to take on as soon as the market gives (inaudible) opening. And we are ready with everything what we need; all the arsenals are ready to be deployed as soon as the market opens up.

Aditya Soman, Goldman Sachs - Analyst [24]

All right. Thank you very much.

Operator [25]

Niket Shah, Motilal Oswal Asset Management.

Niket Shah, Motilal Oswal Securities Ltd. - Analyst [26]

Hi, thanks for the opportunity. A few questions from my side. If I just look at your manpower increase over the last four years, it has been about give or take 10% or 11%. But the output increase has been fairly high, about 25%, 30%. Do you think you have more room or do you think there will be -- I mean, there will be a requirement to increase the manpower going forward? That is the first question.

Vedji Ticku, Page Industries Ltd. - CEO [27]

So as I said even earlier about the kids business, so what we are doing is -- see, we are very bullish about our future. This is momentary what is happening at this point of time.

So what we are doing is we have hired some senior-level managers, especially on the technology side, on the supply chain side, and also on demand-touching operation side. Because we are augmenting and we are sort of getting ready for the future with these people.

And the biggest chunk is actually coming from the kids business, which we said even in the previous call we are very, very bullish about the kids business. Because we understand that is something which is going to come and sit on top of our existing business.

And that is a very, very big market. I have given some numbers last time, if I can repeat myself. The kids market, our understanding is there are around 15.5 million kids still the same [SSC&B], where we operate, which is split into 8.1 million boys and around 7.5 million girls.

So if we look at the number of pieces we are currently selling and the potential to sell to these people, we are at a 2% penetration in the kids business. So it is a huge potential and we have invested in our manpower on this side. So we have a plan of hiring 100 people to actually to put a team separate.

So what we have done is we have created a separate vertical for the kids business and which is headed by a national sales manager and goes down obviously to the sales office level, which is directly reporting to the president of sales and marketing. The whole idea was to get a separate focus on this team. So these are the initial investments in the manpower to augment this business for future. So that's (multiple speakers).

Niket Shah, Motilal Oswal Securities Ltd. - Analyst [28]

Ex- of the kids part, in the men's and the women's category, do you think there is significant room to improve output from the existing manpower or through automation, through multiple --

Vedji Ticku, Page Industries Ltd. - CEO [29]

Of course. Automation is always -- that's why I said (inaudible), a very senior person, we have simply taken the CIO of the Company. And technology is going to be a big lever going forward.

Niket Shah, Motilal Oswal Securities Ltd. - Analyst [30]

Sure. The second question that I had was most of your distributors will not buy every month. Some will buy once in two months or once in three months. I think on an industry level, we have kind of seen most of the guys saying that we want our distributors to keep buying every month so that there is better service levels that can kind of improve going forward.

So just want some of your thoughts around that. Where are we placed? Do we have distributors or dealers buying every month? How much of the segment would buy once in two months, something like that? So if you can just get some clarity around that, that will be very helpful.

Vedji Ticku, Page Industries Ltd. - CEO [31]

I don't know where you got this information. There is no distributor who buys once in two months or once in three months. Distributors buy every month. It is only the regulars who buy every month or some could buy once in two months and some could even months in three.

But as far as the distributors are concerned, they buy every month from us. The quantity could be different, but they buy every month.

Niket Shah, Motilal Oswal Securities Ltd. - Analyst [32]

Okay, perfect. And the third question which I had was on the replenishment levels. You were I think in early 80s and we had moved to early 90s. Is there some more room to improve that percentage as well?

Vedji Ticku, Page Industries Ltd. - CEO [33]

So there is always room for improvement. And so we are looking -- as I said, we are sort of investing a lot of money on the tech side to improve on these aspects. Not only for us, but across the chain to the

distributor level.

So we have gone -- we have dived deep and we are trying to implement the ARS system for each and every distributor we have. Over a bit of time, the stock quality and the stock health will be much improved and then the working capital ratios will be improved across the chain.

So that is an agenda we have taken and our pilots are on right now. So we have around 40 distributors who are already on this pilot and we look forward that within a year's time we want to reach to all our 2,800 distributors through this process.

And once that is done, then what will happen is it will actually also help us to plan better in terms of our manufacturing. Because we will exactly know what are the orders required from each and every distributor at SKU level. That is the process which is going on right now.

Niket Shah, Motilal Oswal Securities Ltd. - Analyst [34]

Sure. And the final question was on the [will] market. I mean, we have Tier 1, Tier 2, Tier 3 very well spread it out, but the rural part of the market is a [Tier 4 your own words]. Any thoughts when we get into those markets will there be large opportunities? Some thoughts on that, that would be very helpful.

Vedji Ticku, Page Industries Ltd. - CEO [35]

I have said this in the previous call also. We are doing some pilots which are currently on and the results are very encouraging. Having said that, we still have a long, long way to go in the esteemed markets we have. We have not -- we're not saturated in these markets. There is a huge headroom in each of these segments of the market.

Niket Shah, Motilal Oswal Securities Ltd. - Analyst [36]

Got it. Thank you and best of luck.

Operator [37]

(Operator Instructions) Aayushi Mohta, CD Equisearch.

Aayushi Mohta, CD Equisearch Pvt Ltd - Analyst [38]

Good evening, sir. So what sort of consumption you are witnessing from your existing customers?

Vedji Ticku, Page Industries Ltd. - CEO [39]

Sorry, I didn't understand the question.

Aayushi Mohta, CD Equisearch Pvt Ltd - Analyst [40]

What sort of consumption are you witnessing from your existing customers? The consumption trends.

Vedji Ticku, Page Industries Ltd. - CEO [41]

You mean number of pieces they buy at a time?

Aayushi Mohta, CD Equisearch Pvt Ltd - Analyst [42]

Is there any change in the consumption pattern?

Vedji Ticku, Page Industries Ltd. - CEO [43]

No, see, our best estimate is from our own (inaudible). And it's more or less probably slightly less than earlier, but it is the number of people who are lesser at our stores.

Aayushi Mohta, CD Equisearch Pvt Ltd - Analyst [44]

And sir, what was your volume growth last quarter?

Vedji Ticku, Page Industries Ltd. - CEO [45]

The last quarter, as I said, it was minus 2%.

Aayushi Mohta, CD Equisearch Pvt Ltd - Analyst [46]

Sir, how would you explain that?

Vedji Ticku, Page Industries Ltd. - CEO [47]

I think I have already explained that a couple of times, which is the market segment is pretty bad. There is a very slow footfall across the markets and we are not getting any kind of -- it's all headwinds currently from all aspects of the business.

I think you are in the market and you know what the industries, including the automobile, FMCG. I think we read it every day. In fact, yesterday's newspaper had a satire on FMCG; they started call it slow-moving growth of consumer goods. So that is the truth in the market right now.

Aayushi Mohta, CD Equisearch Pvt Ltd - Analyst [48]

So what is your target? What do you include for this year?

Vedji Ticku, Page Industries Ltd. - CEO [49]

That is something futuristic. I won't be able to give the targets. But as we have said earlier, we will continue to grow at the pace we have been growing all these years.

Aayushi Mohta, CD Equisearch Pvt Ltd - Analyst [50]

And sir, how do you plan to leverage your existing distribution network?

Vedji Ticku, Page Industries Ltd. - CEO [51]

That is the only way we can leverage it is by actually giving them the [width] in the retail. And that is what we have been working on. So our policy, all the sales team currently, their strategy is that sales -- the footfall at each store is less, so can we have more stores so that at least we are catering to more people. That is exactly what we are doing now to leverage our distribution.

Aayushi Mohta, CD Equisearch Pvt Ltd - Analyst [52]

All right.

Operator [53]

Himanshu Nayyar, Systematix Shares & Stocks.

Himanshu Nayyar, Systematix Shares and Stocks (India) Limited - Analyst [54]

Hi, good evening, sir. So first question would be on the growth slowdown that we have seen. Is it similar across channels like EBO, MBO, LFS? Or would you want to highlight some specific channel where the impact is a bit more than others?

Vedji Ticku, Page Industries Ltd. - CEO [55]

No, they are -- more or less, it is not significant which I can sort of point out. Obviously, they are not at the same rate, but it is not significant enough to be sort of noted. They are more or less at the same level.

Himanshu Nayyar, Systematix Shares and Stocks (India) Limited - Analyst [56]

I would believe at least the online channel would be growing faster from a small base sort of. So even that is seeing the slowdown?

Vedji Ticku, Page Industries Ltd. - CEO [57]

Even that is also. It is obviously as a percentage higher than the rest, but even that is slightly slower than the previous quarters and years.

Himanshu Nayyar, Systematix Shares and Stocks (India) Limited - Analyst [58]

All right. Second one was on our distribution penetration. So we already have 630 EBOs. But our MBO or the retail network seems to have been broadly stagnant for a while.

So just wanted your thoughts on do we have any targets or have we to ramp this up significantly? Or we have broadly powered what we wanted to as far as the retail reach is concerned?

Vedji Ticku, Page Industries Ltd. - CEO [59]

No, you are absolutely right. It is not considered stagnant, as such. Yes, it has grown a little slower than expected, but this year that is one of the biggest focus areas we have. And so yes, we are pushing it quite strongly in this financial year.

Himanshu Nayyar, Systematix Shares and Stocks (India) Limited - Analyst [60]

And any number would you want to share?

Vedji Ticku, Page Industries Ltd. - CEO [61]

I won't be able to share a number. But we have opened a substantial number of stores in the first quarter, which eventually will give us results in the quarters to come.

Himanshu Nayyar, Systematix Shares and Stocks (India) Limited - Analyst [62]

And any number on EBO targets which we can share?

Vedji Ticku, Page Industries Ltd. - CEO [63]

So I think we have shared this very long back about we have a long-term goal of reaching 1,000 stores and we are working towards that.

Himanshu Nayyar, Systematix Shares and Stocks (India) Limited - Analyst [64]

Okay. And final question would be on the working capital. I mean, it seems that our working capital has improved this quarter. So if you could just highlight what we are doing and whether further improvement is even possible on both inventory and receivables.

Chandra Sekar, Page Industries Ltd. - CFO [65]

Yes, thanks for noticing that. Yes, working capital has improved. We did have a inventory buildup at the end of Q4 in preparing for the Q1 production. So subsequently, we have a sharper planning. So on the supply chain side, we are working with Deloitte. And we have, as Vedji was saying, we have a senior person who is now managing the supply chain. So we are seeing results.

Now, working capital is largely the issue with inventory. It is under control. So we do not per se look to substantially reduce inventory because we want to improve our product availability in all the markets. So where we are is in a way I think we are ideally placed as far as working capital days are concerned.

Himanshu Nayyar, Systematix Shares and Stocks (India) Limited - Analyst [66]

And any comments on receivables? Any scope to improve that number, sir?

Chandra Sekar, Page Industries Ltd. - CFO [67]

Receivables, we do not have per se any major investment or issues. As you know, distributors we are fully backed with deposit. We do have some issues with the modern trade, like e-commerce and LFS and all that. So it is more a reconciling -- reconciliation issues. We would attempt to bring that under control, though it is a very insignificant portion of the same.

Vedji Ticku, Page Industries Ltd. - CEO [68]

And I thought our receivables are quite good in terms of number of days as compared to the industry and many other industries.

Himanshu Nayyar, Systematix Shares and Stocks (India) Limited - Analyst [69]

Surely there. What I meant was, I mean, just to drive some more growth, are we looking to support our channel by giving a higher credit or anything like that?

Vedji Ticku, Page Industries Ltd. - CEO [70]

There are no other ways by giving only credit. Because the issue is not only the credit lines with our distributors. It is the actual tertiary sale. So once the tertiary sales improves, this all falls in line. So we have to work, we have to put all our energies into see how can we increase that top line.

Himanshu Nayyar, Systematix Shares and Stocks (India) Limited - Analyst [71]

Agreed. All that, sir. That is all from my side. Thanks and all the best.

Operator [72]

(Operator Instructions) [Harko Perdadeep], Kotak Mutual Fund.

Harko Perdadeep, Kotak Asset Management - Analyst [73]

Yes, good evening, sir. Is it possible to know what is the operating cash flow in the quarter and how has that [employed] on a YoY basis?

Vedji Ticku, Page Industries Ltd. - CEO [74]

So can we come back on this. If you have -- you know we are just looking at it. If you have some other questions in the meantime?

Harko Perdadeep, Kotak Asset Management - Analyst [75]

Sure, sure. Secondly, sir, you mentioned that Page is likely to implement the other system on a pan-India basis by the year-end. So obviously that could result into a reduction in inventory days because of this system will move toward replenishment.

But is it possible to quantify in terms of broad idea in terms of right now the inventory days are at three months. What could be the potential reduction in inventory days once the system is implemented?

Vedji Ticku, Page Industries Ltd. - CEO [76]

Actually, we are not going -- this whole project is not with a mind to decrease or increase the inventory level. The whole idea is that we want to avoid the loss of sale due to non-availability of SKU in the market.

We believe, our understanding is with regard what the maps we have done. This exercise, once completed, could itself give us something between 7% to 10% growth by having the right product at the right place at the right time. That is our main agenda.

Of course, what you say is going to happen, it will definitely in the long run also help us to reduce our inventories across. Because our stock will get improved because of when we have a structured system of getting orders from all our buyers. How much at this point of time, I will not be able to quantify that.

Harko Perdadeep, Kotak Asset Management - Analyst [77]

Okay. And on the kids category, I mean, would it be fair to say that roadmap from, say, INR 30 crores to INR 100 crores could be tough. But once we reach a size of INR 100 crores to reach INR 500 crores could be the sort of last distributors will also start signing up to sell the kids products?

Vedji Ticku, Page Industries Ltd. - CEO [78]

In a way, yes, because for any business, that INR 100 crores is sort of a milestone. I think everybody in the chain gets confident of that. Yes, this is a sizable business.

But having said that, we are pushing ourselves beyond that number because we know the potential is very, very big in terms of -- and there is no credible brand of timing your brand as of now, which is available out there. There are a lot of brands which are regional level and also there is a huge opportunity for us.

That is why we have gone ahead and invested into our manpower and people way ahead of time. We could have probably done this in two years' time, but we went a little bit more focused and a little bit more aggressive. And we said no, let's have these people in because that's less open distribution. That is exactly what we are doing right now. And we are very, very gung ho about this going forward.

Harko Perdadeep, Kotak Asset Management - Analyst [79]

Okay. And lastly, what we are hearing is that there are some changes on the distribution side for servicing the EBOs that Page is doing. And essentially sort of the margin profile which these distributors have, which are the newer base like the lower as compared to those servicing them. Is that correct or the understanding is wrong?

Vedji Ticku, Page Industries Ltd. - CEO [80]

No, you are right.

Harko Perdadeep, Kotak Asset Management - Analyst [81]

Okay, okay. And sir, if you can get back on that operating cash flow, sir, that would be great.

Chandra Sekar, Page Industries Ltd. - CFO [82]

The cash flows -- as you know, the PBT, the profit, is about INR 110 crores. So the cash flow is about INR 123 crores. So it has been positive this quarter.

Harko Perdadeep, Kotak Asset Management - Analyst [83]

And sir, what was it in the same quarter last year?

Chandra Sekar, Page Industries Ltd. - CFO [84]

I don't have it readily. It was right somewhere around INR 130 crores.

Harko Perdadeep, Kotak Asset Management - Analyst [85]

INR 130 crores. Okay, sir. Thank you very much. All the best.

Operator [86]

Krishnan Sambamoorthy, Motilal Oswal Securities.

Krishnan Sambamoorthy, Motilal Oswal Securities Ltd. - Analyst [87]

Yes, hi. Just going back to inventory. Your inventory had decreased sharply from about 81 days to about 96 days at the end of last year. Could you just give us some indication as to where your inventory levels are currently?

Chandra Sekar, Page Industries Ltd. - CFO [88]

Inventory levels, the turns we have is about 4.5, which is some total of all the raw material of [GNWAT]. So comparatively speaking, when you look at March, it was only 3.74 turns. So it is an essential improvement in the inventory turns.

Krishnan Sambamoorthy, Motilal Oswal Securities Ltd. - Analyst [89]

Okay, okay. And two more questions around what is the proportion of EBOs to total sales currently? And what is the proportion of outsourcing as a proportion of total manufacturing currently?

Vedji Ticku, Page Industries Ltd. - CEO [90]

So EBOs is around 16%, 17% of our overall business as of now. And so outsourcing is varying between 27% to 30%.

Krishnan Sambamoorthy, Motilal Oswal Securities Ltd. - Analyst [91]

Okay. And any targets? You indicated on EBOs that you are going to 1,000, but any targets on also seeing -- what do you want as a percentage of total production?

Vedji Ticku, Page Industries Ltd. - CEO [92]

I think more or less I think this is the number for the time being. We will not be pushing it very aggressively from here.

Krishnan Sambamoorthy, Motilal Oswal Securities Ltd. - Analyst [93]

Okay. And most of these are about five or six are your -- most of these are your suppliers (multiple speakers)?

Vedji Ticku, Page Industries Ltd. - CEO [94]

Yes, most of them have been our fabric suppliers who have sort of backward-integrated or forward-integrated and [site] of the sewing units. And we have been instrumental in actually helping them to put it as per our standards. So in a way, they are all dedicated to us.

Krishnan Sambamoorthy, Motilal Oswal Securities Ltd. - Analyst [95]

Okay. And so there have been no complaints therefore on quality. Because there's no (inaudible)?

Vedji Ticku, Page Industries Ltd. - CEO [96]

Not at all. In fact, while we call it outsourcing, but the quality is still with us. So the quality people who are on the floor in these outsourced units are on our roles. And so the quality is -- the way we manage quality for in-house is exactly the way we manage it for outsourcing.

Krishnan Sambamoorthy, Motilal Oswal Securities Ltd. - Analyst [97]

Understood. Thanks a lot.

Operator [98]

Mridul Jalan, Senora Advisors.

Mridul Jalan, Senora Advisors LLP - Analyst [99]

Hello, thank you for the opportunity. I have two questions. One is the industry has not seen this kind of lower volume growth in the past few quarters. And if the market remains the way it is, do we expect some

kind of pressure from the competition in the quest to grow? And if, so how do you plan to tackle it? Once you are done with this question, I will ask the next one.

Vedji Ticku, Page Industries Ltd. - CEO [100]

I think I already had replied this in a different form earlier. The economy is something which I have no hand in and I have no way to say when it can turn around. We hope it turns around sooner than later. All we can do is be prepared, have all the boxes ticked in terms of availability, in terms of our marketing initiatives, in terms of our distribution initiatives. We will continue doing that for sure.

And I also said about the market size and the penetration levels we have at this point of time. So we are (technical difficulty) because we know that this is all momentary at this point of time. Once we have some positive news from the market, we will be back; we'll work. That is our belief.

Mridul Jalan, Senora Advisors LLP - Analyst [101]

But then, I mean, you partially answered it. But do our distributors facing the problem because of the MBCS prices? And if so, how we are trying to -- are we trying to use our balance sheet in some form to fund our distributors for the stock so that it is well available when the demand comes?

Vedji Ticku, Page Industries Ltd. - CEO [102]

See, no, we are not doing anything from our balance sheet. But we are trying to see if there are people in the market who want to procure micro finance and if they can help our distributors.

Having said that, there is a large set of distributors who are still managing on their own. In fact, there is a chunk of distributors who do need support and we are trying to it with third party, not from our balance sheet.

Mridul Jalan, Senora Advisors LLP - Analyst [103]

Okay, that is very useful. Good luck for the future, sir. Thanks.

Operator [104]

Arnab Mitra, Credit Suisse.

Arnab Mitra, Credit Suisse - Analyst [105]

Yes, hi, thanks for the opportunity. I wanted to just carry on the previous question on the you had highlighted liquidity concerns in the MBOs also in the last call. So has that situation been stable in the sense that is the offtakes reflecting the growth that you are reporting? Or do you suspect that there is still some little channel destocking which could be happening as we speak?

Vedji Ticku, Page Industries Ltd. - CEO [106]

So, Arnab, last year I said there was destocking for the previous year. I don't think there is any further destocking happening. But it is the question of the tertiary sales with have to improve now. The tertiary sales are still far from wanted.

Arnab Mitra, Credit Suisse - Analyst [107]

Sure, thanks. The second question was on your margins, which have still now been very steady. However, if we see the growth levels remaining low, you have a relatively high employee cost increase. I'm sure there are minimum wage hikes and things like that.

Do you feel that there could be some risk to the margin if the growth remains slow? Or do you have other streams where you can compensate for some of these cost increases as a percentage of sales?

Chandra Sekar, Page Industries Ltd. - CFO [108]

There are -- fortunately, you may have noted that the cotton prices are a bit weak now because of falling exports. So raw material is a very big significant cost as a percentage of sales. So we expect that this will be compensated.

And still in any case, we review our prices every year and we adjust for the inflation. So as we look at the margins, I don't see any threat in the near future.

Arnab Mitra, Credit Suisse - Analyst [109]

Okay, and just last question is that your total MBO reaches about I think 55,000, which is what you mentioned in the annual reports. Any sense of what percentage of this universe carries women's and athleisure compared to just carrying the male innerwear, which would be the largest?

Vedji Ticku, Page Industries Ltd. - CEO [110]

I am not sure that I can give those percentages because that means numbers. I will avoid giving those numbers.

Arnab Mitra, Credit Suisse - Analyst [111]

Sure, okay. Thanks so much and all the best.

Operator [112]

Nishad Karkare, Bay Capital.

Nishad Karkare, Bay Capital Investment Partners - Analyst [113]

Hi, good evening. I may have missed it in your initial comments. Could you just give us some sense of what the growth was in men's innerwear, women's innerwear, and the rest of the portfolio?

Vedji Ticku, Page Industries Ltd. - CEO [114]

No, you didn't miss it. We didn't talk about it because we have stopped giving the breakup for obvious reasons.

Nishad Karkare, Bay Capital Investment Partners - Analyst [115]

Okay, fair enough. Then I just wanted to highlight another question. So most of the fashion retail companies or the apparel companies that have come out with their results for this quarter have shown fairly good like-to-like growth numbers. But that has not been the case for Page.

So I just wanted to understand in your view is this -- could the fact that there are no discounts in the case of Jockey a reason? Or is there a temporary bad brand for [kiko]? What could be the reason why specifically in the premium innerwear there seems to be a slower offtake than the rest of the fashion industry in general?

Vedji Ticku, Page Industries Ltd. - CEO [116]

I am not sure which brands you are talking about because as far as our information is, and many have looked at the other companies in apparel, most of them have not done well. There are huge deep discounts being given -- you could see that revenue -- but obviously it is -- the profitability is at stake for those revenues. So I am not sure which brand you are talking about who have done exceedingly well in the first quarter. Jockey does not discount. We are still all on 100% selling price.

Nishad Karkare, Bay Capital Investment Partners - Analyst [117]

Got it, got it. Thank you.

Operator [118]

Vinod Bansal, Franklin Templeton.

Vinod Bansal, Franklin Templeton Investments - Analyst [119]

Hi, a couple of questions. One, you spoke about the sentiment being weak and you are waiting for it to turn around. But up until then, do you have any specific initiatives in mind to push from your own side in your existing categories, men's and women's innerwear? Something you could do to bring some higher sales from what we are right now until the sentiment turns around?

Vedji Ticku, Page Industries Ltd. - CEO [120]

Absolutely. That is the only thing we can do. That is something which is in our control. And so we have been working on various aspects. As I said earlier, one is definitely the distribution aspect. So where we are focusing on the number of MBOs and increase the number of MBOs.

We have been very, very aggressive on that aspect of the business this year. We have gone deeper and we have started looking at the number of SKUs we are selling in existing stores and how we can improve by increasing the depth within existing stores.

We are doing a lot of work on the EBO business. One of the gentlemen earlier asked about the distribution which is now for the EBOs which is direct. Just to give you, we used to have around 65% to 70% replenishment to order when it was through distributors, which has become almost 95% once we had a dedicated distributor for the EBOs.

And this was just a pilot. We have done it in just one city as of now and we definitely want to take it to other cities. So these initiatives are ongoing and this is what we can do at this point of time. This is on the distribution side.

On the product side, there has been a lot of work which is happening on the product to actually improve on various aspects and the look and feel, the quality. So that is an ongoing process which has been happening from last almost two years now. And so people are experiencing much better products almost at the same prices we have started paying for those. So those are initiatives what we are doing at this point of time.

Vinod Bansal, Franklin Templeton Investments - Analyst [121]

Just to follow-up on that, you said you are working on distribution. I thought the earlier comment was that at 55,000, 60,000 retailers, you are pretty much there. And the incremental new 5%, 6% MBO expansion will happen from every year in terms -- because doing the product resale. Are we changing that stance? Or just a deeper mining within the existing set?

Vedji Ticku, Page Industries Ltd. - CEO [122]

No, because I think then you didn't hear me earlier. I said that we are giving a very aggressive push with that this year. We were going back between 5% to 7% earlier in the previous years, but there is a very aggressive push on the number of stores. Because that is what we can do. Because if the footfall per store are less, then the only way to reach more footfalls is to have more stores. So that is exactly what we are doing at this point of time.

Vinod Bansal, Franklin Templeton Investments - Analyst [123]

Do you want to put a number to that? From 58, 60, where could you target to end?

Vedji Ticku, Page Industries Ltd. - CEO [124]

I'm afraid I would not like to put a number, but it is a very aggressive push

Vinod Bansal, Franklin Templeton Investments - Analyst [125]

Right. Okay, secondly, I think there was some mention somewhere earlier -- not on this call -- that trade incentives had inched up towards the second half of last year. How is the situation now today or, rather, 1Q 2020, say, what is 1Q 2019 and vis-a-vis 4Q 2019 as well? Are the incentives higher or lower?

Vedji Ticku, Page Industries Ltd. - CEO [126]

Trade incentives are always as per the budget. There was -- only last year there was a small deferral that whatever was budgeted. We had -- there is a provision made for that. And we have led with the provision. So it was not that -- it just cost sort of gets us an event. Our trade incentives are constant and they have not changed. It has been between 2% to 3% and that is what we continue to have.

Vinod Bansal, Franklin Templeton Investments - Analyst [127]

You don't use the lever to push volumes in times -- in such times?

Vedji Ticku, Page Industries Ltd. - CEO [128]

So if there is no tertiary sales, so it doesn't help to push the volumes and stock up the regular. And still, this money gets difficult which is already so tight. So we have to find ways where we can actually make them sell rather than just filing them in the shelves.

Vinod Bansal, Franklin Templeton Investments - Analyst [129]

Right. And how is the current trend, sir, in the current quarter? Well, half of it is gone (technical difficulty) these sales is it still the same or it's a little worse off than 1Q?

Vedji Ticku, Page Industries Ltd. - CEO [130]

It has not changed much since our previous quarter in sales. I would say it has been almost similar. You know, the previous as well as this quarter which we are talking about now.

Operator [131]

(Operator Instructions) [Ravi B.], [Navadhi Investments].

Ravi B, Navadhi Investments - Analyst [132]

(technical difficulty) expansion plan in next two, three years?

Vedji Ticku, Page Industries Ltd. - CEO [133]

Yes, as I said in my opening presentation, we are -- you are talking about the manufacturing sales right?

Ravi B, Navadhi Investments - Analyst [134]

Yes, yes, definitely.

Vedji Ticku, Page Industries Ltd. - CEO [135]

Yes, yes. So we have two very large projects, one in [Arunspu], which is almost like 550,000 square feet of construction which we just started. And we have dug the ground around a month back and the construction is on. That is a very large project. It is the largest yet.

And we also just have been handed over one of -- another large project, which was around 250,000 square feet near a place called K.R. Pet near Mysore. We just got it and we have started sort of populating that facility.

Ravi B, Navadhi Investments - Analyst [136]

So what part we are outsourcing?

Vedji Ticku, Page Industries Ltd. - CEO [137]

As I said earlier, it is between 27% and 30%.

Ravi B, Navadhi Investments - Analyst [138]

Okay. So going back to (technical difficulty)

Operator [139]

Mr. Ravi B, your line is breaking up, sir.

Ravi B, Navadhi Investments - Analyst [140]

Just one point I would like to mention. Last year we (technical difficulty) Hyderabad airport and your EBO is there, the Jockey. And (technical difficulty) they were telling they are not giving enough material or there

was heavy demand of all the materials of Jockey. But we have [the crores]. Anything can you tell what is going (technical difficulty)?

Vedji Ticku, Page Industries Ltd. - CEO [141]

Thanks for bringing that up. Yes, there was some issues with the distribution side, which is getting sorted out.

Ravi B, Navadhi Investments - Analyst [142]

Okay, okay. Thank you from my side.

Operator [143]

Akhil Parekh, Elara Capital.

Akhil Parekh, Elara Capital Inc. - Analyst [144]

Good evening, sir. So my question, kidswear. Do you think the pricing of kidswear is slightly higher, given that a huge unorganized segment for kids?

Vedji Ticku, Page Industries Ltd. - CEO [145]

You know, as I said earlier that there is [full and India] brand in this segment. This is almost repeating ourselves what we did 20 years back to the [double] innerwear, which is men and woman. So we are going through, I would say, almost -- it's a déjà vu for us.

You know, we can't exactly see what it will take for us to establish ourselves. But I think that is something which most of the parents are ready to pay for the kids. And it's not -- probably around 15% to 20% costlier than most of the regional brands, so it's not alarmingly costly from the other regional brands.

Akhil Parekh, Elara Capital Inc. - Analyst [146]

Okay. And the second question is on the in-store visibility of kids. So what I have observed is we do not have mannequins for kids versus what we have for men and women. Do you think that could be a possibility there could be an issue in terms of awareness that we are even selling kids garments?

Vedji Ticku, Page Industries Ltd. - CEO [147]

I don't know whether you noticed all our above-the-line advertisement in the first quarter. There has been a huge investment in kids like all across the holdings. And I don't know which part of the country you are calling from, so there has been a huge investment in both (technical difficulty) and retail.

So earlier, you know, we were not supposed to picture kids; that was the policy of Jockey. But for half a year, which is the outerwear business, we are in a position to have the model. So we are not even having models around the innerwear business and which we don't have even now. But going forward, yes, we will obviously in our EBOs we will start having mannequins as well.

Akhil Parekh, Elara Capital Inc. - Analyst [148]

Okay. And just one clarification. You mentioned that we have appointed dedicated distributors for EBOs in one city as a pilot project. So we are using the existing distributors or this is something new set of distributors for this?

Vedji Ticku, Page Industries Ltd. - CEO [149]

A new set of distributors. Because this is very, very large, so you need a very huge infrastructure for this business. We are talking of businesses upwards of INR 50 crores a year, so it's a very, very large business. So the infrastructure requirement is very difficult; it has to be [taken able] because this is all -- the entire stock from the EBO. The order from the EBO to the distributor and the distributor route is all automated.

Akhil Parekh, Elara Capital Inc. - Analyst [150]

But do you think this would make the existing distributors a bit unhappy, given that they have been working with you since the beginning? And, you know, now it is kind of making them [sad a bit] or something of that sort?

Vedji Ticku, Page Industries Ltd. - CEO [151]

I don't know whether you heard me. The order to replenishment has gone up from 65% to 95% after this change. And the other good news is that since that -- there is a chunk of business which was being distributed to the EBOs is gone. Their team and our team together are working the market harder and trying to recoup that business back for the distributors.

So eventually in a year's time, this will be all win-win for everybody because we will be able to sort of do a much better job on the retail side by pushing distribution. And then, of course, we will have much better representation of product in the EBOs.

Akhil Parekh, Elara Capital Inc. - Analyst [152]

Okay, got it. That's all from my side. Thank you so much.

Operator [153]

[Rayna Chinchinwala] B&K Securities.

Rayna Chinchinwala, B&K Securities India Pvt. Ltd. - Analyst [154]

Thank you for the opportunity. So first question is on distributors. One, there are a lot of options now in the market in the premium innerwear segment. So distributors can now easily choose to dilute exposure to Jockey or shift to some other player because they are providing better margins to penetrate into the market.

What kind of trends are you seeing here in this aspect? And how are we tackling -- if this is happening to Jockey, are we increasing the distributor base at the net level?

Vedji Ticku, Page Industries Ltd. - CEO [155]

There has been no trend for us as such. The premium segment -- at the end of the day, any distributor is a businessman and any businessman wants to deal with something which is more certain and more sure. So we need to understand that fact.

There could be some who could get distracted because by an extra 1%. But then eventually they rue the fact that they left the golden goose. So there has been no trend as such. There have been a few distributors have ended who thought it's back around the other side. And there are many who are calling back now and said can we come back. So I think that is an ongoing thing, but I don't see a trend as such in this case.

Rayna Chinchinwala, B&K Securities India Pvt. Ltd. - Analyst [156]

And would have been an increase in distributors over the last one year or two years or three years that you can --?

Vedji Ticku, Page Industries Ltd. - CEO [157]

Yes, there has been. You know, we have currently 2,800 accounts which we work with, which was probably half of that three years back. So there is a continuous growth of distributors every year.

Rayna Chinchinwala, B&K Securities India Pvt. Ltd. - Analyst [158]

Okay. And this pace will continue the coming period?

Vedji Ticku, Page Industries Ltd. - CEO [159]

It obviously cannot continue at the same pace, but we will continue pushing our distribution. Because we are also trying, as I said earlier, we are also trying the rural project and the initial results have been pretty good. So we could start pushing our rural program going forward.

Rayna Chinchinwala, B&K Securities India Pvt. Ltd. - Analyst [160]

So one more last on distributors is that you are saying that you have now appointed distributors for EBOs, which means your current or -- earlier, you were well supplying [the debt] to EBOs and now there is a distributor to deal with EBOs. Is this the right way to look at?

Vedji Ticku, Page Industries Ltd. - CEO [161]

No. Earlier we were supplying it to the same distributor who was supplying to the trade as well as the EBOs. Now we have a (inaudible) because supply and compared and separate to the EBOs.

Rayna Chinchinwala, B&K Securities India Pvt. Ltd. - Analyst [162]

Okay. My next is a financial question. So our debt levels have reduced from FY19 Q4 to Q1 this year, but our finance costs have almost doubled. So why is this so?

Chandra Sekar, Page Industries Ltd. - CFO [163]

You know that Ind AS 116 has kicked in, so -- and that has added to the depreciation and the finance cost. So the rent is getting restated that way. So in absolute terms, there is no increase.

Rayna Chinchinwala, B&K Securities India Pvt. Ltd. - Analyst [164]

So EBITDA would have been lower by around INR 4-odd crores -- around INR 10-odd crores if --

Chandra Sekar, Page Industries Ltd. - CFO [165]

The overall impact of IND AS 116 is only about INR 6 million. So it is not a very significant number as far as the quarter is concerned.

Operator [166]

(Operator Instructions) [Weber Coil], SBI Life Insurance.

Weber Coil, SBI Life Insurance Co. Ltd. - Analyst [167]

(inaudible) as this 2% to revenue growth. So what would be our pricing change and what would be our premiumization change which would have led this?

Vedji Ticku, Page Industries Ltd. - CEO [168]

So for this year?

Weber Coil, SBI Life Insurance Co. Ltd. - Analyst [169]

For this quarter, actually.

Vedji Ticku, Page Industries Ltd. - CEO [170]

So the pricing change last year, as we said, was between 3% to 4%, which is carrying forward. And premiumization, I won't be able to put a number a number to it right away, but the factory change was around 3% to 4%.

Weber Coil, SBI Life Insurance Co. Ltd. - Analyst [171]

Okay, okay. And what was the number of the SKUs which you are dealing in, especially the increasing number of SKUs, [how would that be]?

Vedji Ticku, Page Industries Ltd. - CEO [172]

There is not a huge difference between the two quarters, but we have upwards of around 5,500 SKUs as of now.

Weber Coil, SBI Life Insurance Co. Ltd. - Analyst [173]

(inaudible) with production of kidswear, the number would have increased significantly, right?

Vedji Ticku, Page Industries Ltd. - CEO [174]

Kids was not introduced this year; kids has been with us from last year itself. So it is only that the impetus of the push has been bigger starting this financial year.

Weber Coil, SBI Life Insurance Co. Ltd. - Analyst [175]

So with kids, what would be the number of SKUs for kids?

Vedji Ticku, Page Industries Ltd. - CEO [176]

The number of SKUs, we have around 100, so probably around 600, 650 SKUs.

Weber Coil, SBI Life Insurance Co. Ltd. - Analyst [177]

Okay, okay. And third, in your export product, so there was a reduction last year on the overall side. Anything -- the data is still small, but is there anything significantly that you are doing or nothing?

Vedji Ticku, Page Industries Ltd. - CEO [178]

Our exports are predominantly only to Dubai, which is UAE. And you know that UAE market and the Middle East has been going through a turmoil since last year and a half. So even the markets are pretty down in that entire Middle East market.

Weber Coil, SBI Life Insurance Co. Ltd. - Analyst [179]

Okay, thanks.

Operator [180]

Bharat Shah, ASK Investment Managers.

Bharat Shah, ASK Investment Managers Limited - Analyst [181]

[Good inning] to take the quality of sales, it is [nearly placed wealthy] that working capital has improved even in a difficult situation. And [disting] of sales has been maintained and temptation to dilute the discipline has not been put to claim. Also, the return on capital employed has improved, which was already at a pretty high level. So all these I would definitely say is remarkable.

What I'm a bit confused about is we see the size of opportunity is very large. That the size itself is large, penetration is low, and there is a significant opportunity to grow in the existing markets even without dipping into the newer territories.

But I heard a comment that the men innerwear is growing at about double-digit. So what is the disconnect? I recognize that consumer sentiments are soft; overall economy is doing a bit of a trick. But if the premium market we have seen is double-digit kind of growth, where is the disconnect? With all the readiness, the [bigness], and aggressiveness and hunger for growth, why that is not translating at least into some volume growth for us?

Vedji Ticku, Page Industries Ltd. - CEO [182]

It is a very valid question. Eventually for us to have the volume growth, we need to sell and a sale has to happen from all our 60,000-odd stores where we cater to and our EBOs. As I said earlier also, our EBOs, which are -- which is the data which we have on hand and then we have -- it is a very clear indication of what is actually happening in the market.

We very clearly see the footfalls have come down drastically. I am not able to put a reason to that why. You are yourself in the industry, you are in the market, and you know across all industries what is the

situation as of now.

So there is no tertiary sale. While we understand that, there is a study, and we tell you that the market per se, you know, is growing at 10% year on year. But currently the sale is not happening on the ground, which is the fact. So to put them together, yes, they look quite opposite statements. But unfortunately, that is the fact at this point of time.

Bharat Shah, ASK Investment Managers Limited - Analyst [183]

Are you saying that reported industry growth is a positive or probably double-digit kind of a number? It is not motivated by tertiary sales [in terms] it is ending up all as inventory?

Vedji Ticku, Page Industries Ltd. - CEO [184]

I wouldn't -- see, the statement of the market growing -- the overall premium market growing at 10% is a referred study. And we will absolutely like to believe it that in order to bring down the due diligence. So the market itself, we talk to the market size for the whole year, is supposedly growing at 10%, but the tertiary sale is not there.

So you could say that then it's actually somewhere in between the stocks, whether it is a distributor or the retailer. If the study is to be believed.

Bharat Shah, ASK Investment Managers Limited - Analyst [185]

Which means [are they still doing] probably growing by deteriorating the quality of sales? That is the implicit statement.

Vedji Ticku, Page Industries Ltd. - CEO [186]

Sorry, I didn't get that last one.

Bharat Shah, ASK Investment Managers Limited - Analyst [187]

I think if -- really if the tertiary sales are not there, and yet supposedly the industry is growing, that means the quality of the sales as far as the [doors] are concerned is probably kind of inferior ones.

Vedji Ticku, Page Industries Ltd. - CEO [188]

Probably we could say that. But I can't sort of comment on that, but that is how it looks, then.

Bharat Shah, ASK Investment Managers Limited - Analyst [189]

Okay. Would you still have -- I recognize the current sentiments in the consumer side, overall economic situation, and holding internal efforts to get going, and solidarity of the systems and processes and discipline of sales. But would we have some idea as to -- for the [yarding] entirety kind of a probable growth that we are looking at? Or this is difficult to put fingers on?

Vedji Ticku, Page Industries Ltd. - CEO [190]

Yes, I would not like to put any numbers out there. But I can only assure you that we just need some little support from the market. We have everything in our arsenal to push it from here and try to be where we were before.

Bharat Shah, ASK Investment Managers Limited - Analyst [191]

Thank you and all the best.

Operator [192]

[Sabiya Sachamukherjee], Centrum PMS

Sabiya Sachamukherjee, Centrum PMS - Analyst [193]

Yes, hi. Thank you for the opportunity. Just two questions from my side. 2.4% was the volume growth for Q1 FY20. May I know the number for the base quarter in Q1 FY19, what was the volume growth?

Chandra Sekar, Page Industries Ltd. - CFO [194]

It was 17%.

Sabiya Sachamukherjee, Centrum PMS - Analyst [195]

17%, okay.

Chandra Sekar, Page Industries Ltd. - CFO [196]

Last year, Q1.

Sabiya Sachamukherjee, Centrum PMS - Analyst [197]

Okay. And final question was on the dividends that we saw in last year was abnormally high. You offered some special dividend as well. Any specific reason for giving such high dividends with the view that you have to open the stores on an aggressive base that you have been now telling? So any specific reason for offering such high dividends?

Chandra Sekar, Page Industries Ltd. - CFO [198]

The reason is that it's a matter of managing the cash flow. So when we look at the cash flow, we look at the future cash flow projection for dividends, advance tax, and all that. And then look at the expansion plans for CapEx. Some of it is funded via the cap loans.

So when we look at the surplus, it doesn't make sense to invest it in debt mutual funds that may be 4% post-tax. So the money belongs to the shareholders and so that is the reason why we increased the dividend last year.

Sabiya Sachamukherjee, Centrum PMS - Analyst [199]

Okay, but I believe it was abnormally high. I think 96% of your --

Chandra Sekar, Page Industries Ltd. - CFO [200]

Absolutely. But that is the money we had.

Vedji Ticku, Page Industries Ltd. - CEO [201]

So it was the surplus we had at our hands, which we distributed among our shareholders.

Chandra Sekar, Page Industries Ltd. - CFO [202]

Technically, our policy is that we distribute at least 50% of part as dividend. So when there is an accumulation of funds which is not getting into an expansion or CapEx, then we see that production. So that was why we did it last year.

Sabiya Sachamukherjee, Centrum PMS - Analyst [203]

The CapEx for EBOs, do you do yourself or is it the franchises? So whatever --

Vedji Ticku, Page Industries Ltd. - CEO [204]

It's a fee for model. It is franchisee-owned, franchisee-operated. So there is no investment from our side.

Sabiya Sachamukherjee, Centrum PMS - Analyst [205]

Okay. Got it. Thank you. Thanks a lot.

Vedji Ticku, Page Industries Ltd. - CEO [206]

This is Vedji here. I'll just give you a quick update on the (technical difficulty).