

PAGE INDUSTRIES

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	40,073
12 month price target (INR)	37,264
52 Week High/Low	54,349/34,953
Market cap (INR bn/USD bn)	447/5.4
Free float (%)	51.7
Avg. daily value traded (INR bn)	1.2

SHAREHOLDING PATTERN

	Mar-23	Dec-22	Sep-22
Promoter	46.12%	46.12%	46.12%
FII	22.38%	24.66%	25.29%
DII	21.89%	19.62%	19.48%
Pledge	0%	0%	0%

FINANCIALS

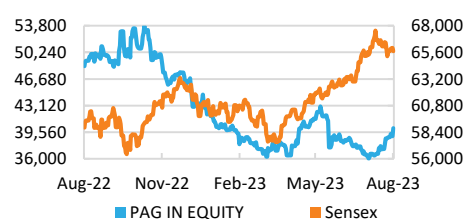
(INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Revenue	47,886	49,688	58,685	64,914
EBITDA	8,640	9,344	11,893	13,648
Adjusted profit	5,712	6,097	8,049	9,337
Diluted EPS (INR)	512.1	546.6	721.6	837.1
EPS growth (%)	6.5	6.7	32.0	16.0
RoAE (%)	46.4	40.0	42.9	40.4
P/E (x)	78.2	73.3	55.5	47.9
EV/EBITDA (x)	52.0	47.6	36.9	31.9
Dividend yield (%)	0.6	0.7	0.9	1.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY24E	FY25E	FY24E	FY25E
Revenue	49,688	58,685	0	0
EBITDA	9,344	11,893	0.5	-2.9
Adjusted profit	6,097	8,049	2.3	-4.3
Diluted EPS (INR)	547	722	2.3	-4.3

PRICE PERFORMANCE



Cost-driven beat; underlying still weak

Page Industries (Page) reported in-line revenue (down 8% YoY, volumes down 12%) with cost control on opex and employee driving a 9% EBITDA beat (down 19% YoY). A positive highlight was Page mentioning that the impact of ARS, which also contributed to the extremely weak Q4FY23, is behind (a quarter before initial guidance). However, secondary sales contracting 9% YoY (Q4FY23: 0%), still point to weakness in the market and the core concern on growth/revival remains. Margin guidance remains unchanged at 19–21%.

We roll forward our DCF-based TP to Jun-24E, which gives us a revised TP of INR37,264 (earlier INR36,800). Maintain 'REDUCE'. This implies 50x Q1FY26E PE versus its pre-covid 3Y-average of 54x.

In-line weak demand; margin surprise drives beat

Page reported an in-line quarter with revenues contracting 8% YoY and volumes down 12% YoY. The realisation hike of 4% was driven by the price hike taken in Aug-22. Page also highlighted that there has been an acceleration in inventory across peers, which is affecting industry practises – a lot of offers and discounts on play due to inventory in the system at present. As per Page, competition is holding 9–12 months of inventory (Page is at 105 days; INR14.3bn). Secondary sales performance was similar to primary's i.e. ~-9% versus 0% in Q4FY23. Category-wise Page highlighted that men's premium category features highest growth, whereas athleisure continues to see the highest impact.

On reported CoGS, gross margins were down 160bp YoY while Page mentioned that as per its GM definition (including subcontracting) it was flat QoQ. Key highlight was cost control, where Page's opex as a percentage of sales was flat YoY despite the contraction in sales. Also, Page trimmed its manufacturing employee base. As a result, EBITDA margin came in at 19.5% (Q1FY23: 22%; Q4FY23: 14%). EBITDA came 9% above estimate. Overall, EBITDA/PAT was down 19%/24% YoY. Page added ~41 EBOs and ~400 MBOs this quarter and is now present in ~120,500 MBOs (FY23: ~120,000; FY22: ~110,500). E-commerce channel grew 43% YoY.

ARS: Page highlighted implementation pain is done

Page called out that the pain of implementation of ARS (Auto Replenishment System), which had a significant impact in Q4FY23, is behind. From Page – *The ARS process is progressing well and being strengthened for extensive adoption. Given the scale and complexity of 4086+ distributor accounts, the complete adoption & transformation to a pull-based process will require some time. We believe this is the most important transformation that will pave the way for years to come.*

Financials

Year to March	Q1FY24	Q1FY23	% Change	Q4FY23	% Change
Net Revenue	12,400	13,413	(7.5)	9,691	28.0
EBITDA	2,419	2,978	(18.8)	1,343	80.1
Adjusted Profit	1,584	2,070	(23.5)	784	102.1
Diluted EPS (INR)	142.0	185.6	(23.5)	70.2	102.1

Financial Statements

Income Statement (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Total operating income	47,886	49,688	58,685	64,914
Gross profit	26,207	27,825	32,863	36,352
Employee costs	8,812	8,900	9,790	10,378
Other expenses	8,754	9,581	11,181	12,326
EBITDA	8,640	9,344	11,893	13,648
Depreciation	781	880	981	1,035
Less: Interest expense	426	545	422	443
Add: Other income	147	172	192	221
Profit before tax	7,581	8,092	10,682	12,392
Prov for tax	1,869	1,994	2,633	3,054
Less: Other adj	0	0	0	0
Reported profit	5,712	6,097	8,049	9,337
Less: Excp.item (net)	0	0	0	0
Adjusted profit	5,712	6,097	8,049	9,337
Diluted shares o/s	11	11	11	11
Adjusted diluted EPS	512.1	546.6	721.6	837.1
DPS (INR)	256.1	273.3	360.8	418.6
Tax rate (%)	24.6	24.6	24.6	24.6

Important Ratios (%)

Year to March	FY23A	FY24E	FY25E	FY26E
Menswear (% YoY)	23.0	3.0	17.0	9.0
Womenswear (% YoY)	23.0	3.0	17.0	11.0
Athleisure (% YoY)	23.0	5.0	20.0	12.0
EBITDA margin (%)	18.0	18.8	20.3	21.0
Net profit margin (%)	11.9	12.3	13.7	14.4
Revenue growth (% YoY)	23.2	3.8	18.1	10.6
EBITDA growth (% YoY)	9.8	8.1	27.3	14.8
Adj. profit growth (%)	6.5	6.7	32.0	16.0

Assumptions (%)

Year to March	FY23A	FY24E	FY25E	FY26E
GDP (YoY %)	0	6.4	5.8	5.8
Repo rate (%)	4.0	4.0	4.0	4.0
USD/INR (average)	0	80.0	78.0	78.0
Gross Margin (%)	54.7	56.0	56.0	56.0
Inventory (% of RM)	60.5	50.0	44.0	44.0
Receivable (% of Rev.)	3.1	4.0	4.0	4.0
Capex (INR mn)	1,656.5	2,000.0	500.0	525.0

Valuation Metrics

Year to March	FY23A	FY24E	FY25E	FY26E
Diluted P/E (x)	78.2	73.3	55.5	47.9
Price/BV (x)	32.6	26.7	21.5	17.6
EV/EBITDA (x)	52.0	47.6	36.9	31.9
Dividend yield (%)	0.6	0.7	0.9	1.0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Share capital	112	112	112	112
Reserves	13,599	16,648	20,672	25,341
Shareholders funds	13,710	16,759	20,784	25,452
Minority interest	0	0	0	0
Borrowings	2,482	1,491	0	0
Trade payables	2,876	3,498	4,648	5,141
Other liabs & prov	6,163	6,905	8,165	9,037
Total liabilities	26,877	30,389	35,278	41,240
Net block	3,375	4,888	4,821	4,745
Intangible assets	1,477	1,334	1,183	1,025
Capital WIP	1,505	1,505	1,505	1,505
Total fixed assets	6,356	7,726	7,508	7,274
Non current inv	0	0	0	0
Cash/cash equivalent	81	3,788	7,509	11,607
Sundry debtors	1,461	1,988	2,347	2,597
Loans & advances	2,917	2,393	2,708	2,942
Other assets	16,062	14,494	15,206	16,820
Total assets	26,877	30,389	35,278	41,240

Free Cash Flow (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Reported profit	5,712	6,097	8,049	9,337
Add: Depreciation	781	880	981	1,035
Interest (net of tax)	321	410	318	334
Others	(48)	(38)	(88)	(112)
Less: Changes in WC	6,782	(3,114)	(1,067)	701
Operating cash flow	(16)	10,464	10,327	9,893
Less: Capex	(1,638)	(2,000)	(500)	(525)
Free cash flow	(1,654)	8,464	9,827	9,368

Key Ratios

Year to March	FY23A	FY24E	FY25E	FY26E
RoE (%)	46.4	40.0	42.9	40.4
RoCE (%)	59.1	50.1	56.9	55.5
Inventory days	216	246	194	189
Receivable days	12	13	13	14
Payable days	55	53	58	63
Working cap (% sales)	23.7	16.9	12.6	12.5
Gross debt/equity (x)	0.2	0.1	0	0
Net debt/equity (x)	0.2	(0.1)	(0.4)	(0.5)
Interest coverage (x)	18.5	15.5	25.9	28.5

Valuation Drivers

Year to March	FY23A	FY24E	FY25E	FY26E
EPS growth (%)	6.5	6.7	32.0	16.0
RoE (%)	46.4	40.0	42.9	40.4
EBITDA growth (%)	9.8	8.1	27.3	14.8
Payout ratio (%)	50.0	50.0	50.0	50.0

Q1FY24 conference call: Highlights

Industry:

- There has been an acceleration in inventory, which is affecting industry practises. There are lot of offers and discounts on play due to inventory in the system at present.
- As per Page, competition is sitting on 9-12 months of inventory. Page is at 105 days.

Q1FY24:

- Page saw a -11.5% YoY contraction in volumes in Q1FY24
- Page implemented a diligent control on expenses to protect margins
- Absolute inventory was INR14.3bn as of Q1FY24.
- Gross margin contraction was due to the high base impact (higher overhead absorption). Also, aggressive market environment has impacted.
- As per company definition, GM was 53%.
- Page highlighted that secondary sales are in-line with primary sales.
- Employee cost reduction is a function of natural attrition. Also given the elevated inventory, there was limited manpower requirement. Majority of the reduction is on manufacturing side.
- Advertising expenses (% of sales): Q4FY23 - 1.9%, Q1FY24 - 2.5%.
- Company had taken a price hike in August 2022. At present, there is no need to take a price hike.

Category:

- In women's market, the organized category is very low. Company has formed dedicated teams for women and Junior, which as per Page is already having some benefits. Margin in both these categories are similar to the company average.
- Men's premium category is having the highest growth across Page's category. Athleisure is going through a flux across the industry.
- As per the company, Page is competitive/cheaper in pricing versus peers.

Expansion:

- Ecommerce showed growth of 43% YoY
- Focus is also on growing the D2C business segment.

ARS implementation:

- ARS implementation has been making significant progress
- Impact of ARS has been taken care of. There is no impact to sales.

Manufacturing:

- Orissa project will commence by Q4FY23.

Outlook:

- Last two weeks has seen some improvement. Too early at this point to give any outlook. Company is hoping for some improvement in demand during festive season.
- Focus on maintaining margins between 19-21% EBITDA margin
- At present Page is postponing capex
- Company is comfortable with the inventory position. Inventory is at around 100 days.
- Normal advertising spend range is between 4-4.5%. The spends will pick-up in the later part of the year.

Exhibit 1: Performance summary

	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Sales	5,015	10,840	11,898	11,111	13,413	12,550	12,233	9,691	12,400
EBIDTA	342	2,334	2,507	2,671	2,978	2,379	1,928	1,343	2,419
EBIDTA Margin	7%	22%	21%	24%	22%	19%	16%	14%	20%
Adjusted PAT	109	1,605	1,746	1,905	2,070	1,621	1,237	784	1,584
PAT Margin	2%	15%	15%	17%	15%	13%	10%	8%	13%
% Yoy Growth									
Sales	76	46	28	26	167	16	3	-13	-8
EBIDTA	-199	41	11	57	771	2	-23	-50	-19
PAT	-128	45	14	65	1,791	1	-29	-59	-24
% QoQ Growth									
Sales	-43	116	10	-7	21	-6	-3	-21	28
EBIDTA	-80	582	7	7	11	-20	-19	-30	80
PAT	-91	1,366	9	9	9	-22	-24	-37	102
EBO	939	1,000	1,030	1,131	1,144	1,191	1,228	1,289	1,332
MBO	80,250	94,000	1,05,200	1,10,548	1,13,715	1,18,123	1,18,838	1,20,060	1,20,461
Volume (mn pcs)	25	57	60	50	63	57	53	43	56

Source: Company, Nuvama Research

Exhibit 2: Valuation assumptions

Beta (x)	0.4
Equity/Total Capital (%)	75.0
Cost of Debt (%)	7.0
Marginal Tax rate (%)	25.0
Risk free rate (%)	7.3
Equity risk premium (%)	6.0
Cost of equity (%)	9.7
WACC (%)	8.6

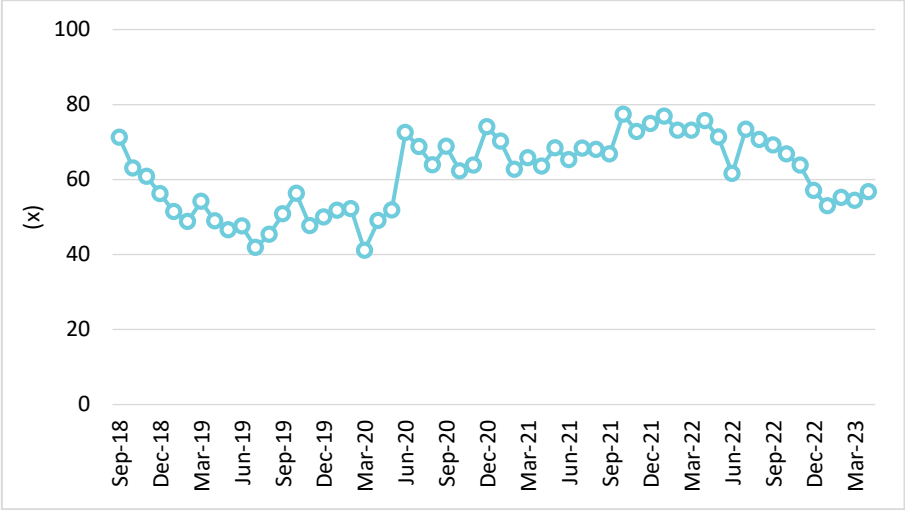
Source: Nuvama Research, Company

Exhibit 3: Valuation summary

	INR mn
PV of cash flows	1,40,976
PV of Terminal value	2,75,983
Total EV (INR mn)	4,16,959
Less: Debt FY24E	1,491
Add: Cash FY24E	3,788
Core business market cap (INR mn)	4,19,256
NOSH	11
Core business value (INR)	37,264

Source: Company, Nuvama Research

Exhibit 4: One-year forward PE



Source: Nuvama Research

Exhibit 5: Quarterly summary

Year to March	Q1FY24	Q1FY23	% YoY	Q4FY23	% QoQ	FY23	FY24E	FY25E
Revenue	12,400	13,413	(7.5)	9,691	28.0	47,886	49,688	58,685
Raw material costs	5,839	6,102	(4.3)	4,203	38.9	21,680	21,863	25,821
Gross profit	6,562	7,311	(10.2)	5,488	19.6	26,207	27,825	32,863
Employee costs	2,087	2,160	(3.4)	2,203	(5.3)	8,812	8,900	9,790
Other expenses	2,056	2,173	(5.4)	1,942	5.9	8,754	9,581	11,181
Total operating expenses	4,143	4,333	(4.4)	4,145	(0.0)	17,566	18,481	20,971
EBITDA	2,419	2,978	(18.8)	1,343	80.1	8,640	9,344	11,893
Depreciation	210	180	16.6	213	(1.3)	781	880	981
EBIT	2,209	2,798	(21.1)	1,130	95.4	7,859	8,464	10,912
Less: Interest Expense	127	85	49.3	136	(6.5)	426	545	422
Add: Other income	19	33	(42.5)	71	(73.4)	147	172	192
Profit Before Tax	2,100	2,746	(23.5)	1,065	97.1	7,581	8,092	10,682
Less: Provision for Tax	517	675	(23.5)	282	83.3	1,869	1,994	2,633
Reported Profit	1,584	2,070	(23.5)	784	102.1	5,712	6,097	8,049
Adjusted Profit	1,584	2,070	(23.5)	784	102.1	5,712	6,097	8,049
NOSH	11	11		11		11	11	11
Adjusted EPS	142	186	(23.5)	70	102.1	512	547	722
P/E (x)						78	73	56
EV/EBITDA (x)						52	48	37
ROAE (%)						46	40	43
As % of revenues								
COGS	47.1	45.5		43.4		45.3	44.0	44.0
Gross profit	52.9	54.5		56.6		54.7	56.0	56.0
Employee costs	16.8	16.1		22.7		18.4	17.9	16.7
Other expenses	16.6	16.2		20.0		18.3	19.3	19.1
Total operating expenses	33.4	32.3		42.8		36.7	37.2	35.7
EBITDA	19.5	22.2		13.9		18.0	18.8	20.3
Net profit	12.8	15.4		8.1		11.9	12.3	13.7

Source: Company, Nuvama Research

Company Description

Page Industries, set up in 1994, is the exclusive licensee of JOCKEY International, Inc., (USA) for manufacture, distribution and marketing of the JOCKEY brand in India, Sri Lanka, Bangladesh, Nepal, the UAE, Oman and Qatar. In addition, it is also the exclusive licensee of Speedo International Ltd. for the manufacture, marketing and distribution of the Speedo brand in India. Page Industries' promoters (the Genomal family) have been associated with Jockey International, Inc., for more than 50 years as their sole licensee in the Philippines. Because of the immensely successful relationship with Page's promoters, when Jockey International, Inc., decided to tap into the Indian market, they offered the family a chance to take up the India licence and set up operations in the country catering to the markets in India, Bangladesh, Nepal and Sri Lanka.

Investment Theme

Best brand built over last two decades; dominance across categories

Page has built Jockey into an aspirational and best-performing innerwear brand in the country driven by leadership across men's innerwear (#1), women's innerwear (#1) and athleisure (top five). The surge in men's innerwear was driven by branding, positioning (aspirational brand affordably priced) and distribution. Women's innerwear and athleisure have sprung on the pedestal of brand visibility and distribution created by men's innerwear and—importantly—right pricing. Its revenue CAGR of 27% (FY09–19) is the highest among peers and it dominates with ~40% share of organized innerwear.

Scales tipping against market share gains despite athleisure surge

The long streak of market share gains may snap as: i) competition in men's innerwear from VH, the first-ever serious competitor, is telling on Page's growth; ii) competition in women's innerwear from new-age online brands is rising; iii) scope for distribution expansion is limited given nonexistence in the economy segment; iv) kidswear and swimwear are too small to gain traction; and v) the online presence is weak.

Key Risks

Lower-than-expected competitive intensity: One of the key premises for our negative bias on Page Industries is the increased competitive intensity in both menswear and womenswear. That said, in menswear Van Heusen is Page's main competitor and with ABFRL facing elevated debt issues and focus on cost control, there is a possibility it may moderate its expectations on growing the men's innerwear business, which will benefit Page. In womenswear, Page's main competitors are recent start-ups such as Zivame and Clovia, which are still not profitable. If funding for these players dries up in the current uncertain environment, Page stands to gain.

Covid-19 dislocation uplifts athleisure trend: While we are factoring in a one-time jump in athleisure sales, some of which took place in Q4FY20, we do not expect Page's growth trajectory to change greatly driven by this segment. That said, a permanent shift to WFH for majority of the working category would drive above-normal growth for athleisure over the next two—three years.

Additional Data

Management

CEO	V.S. Ganesh
CFO	Deepanjan Bandyopadhyay
MD	Sunder Genomal
Other	
Auditor	S.R. Batliboi

Holdings – Top 10*

% Holding		% Holding	
Nalanda India	7.56	Kotak AMC	2.13
SBI MF	5.41	BlackRock	2.13
Steadview	3.21	Vanguard	1.68
Cartica Capital	2.98	ARISAIG Asia	1.45
Mirae Asset	2.33	Credit Agricole	1.41

*Latest public data

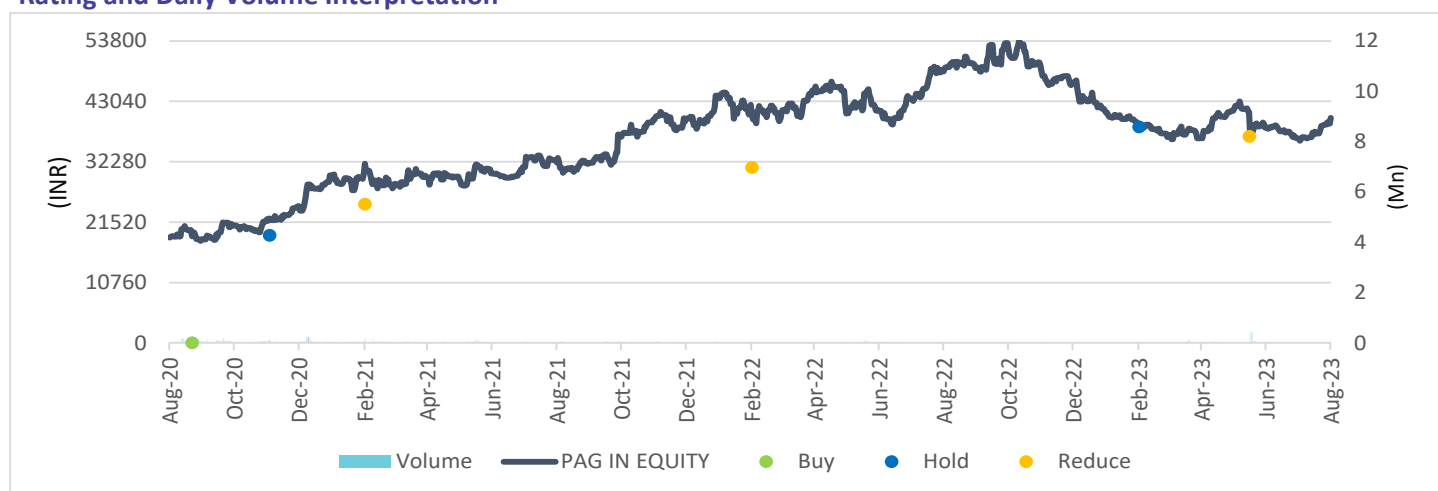
Recent Company Research

Date	Title	Price	Reco
25-May-23	Quite a shocker; ARS hangover to linger; <i>Result Update</i>	41139	Reduce
10-Feb-23	Margin hit; normalising pent up growth; <i>Result Update</i>	37990	Hold
10-Nov-22	Stable showing; growth under a cloud; <i>Result Update</i>	49122	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
29-May-23	TCNS Clothing	All round disappointment ; <i>Result Update</i>
14-Feb-23	TCNS Clothing	Underdressed: Muted showing all over; <i>Result Update</i>
11-Nov-22	TCNS Clothing	Stable showing; still lagging peers; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	193
Hold	<15% and >-5%	66
Reduce	<-5%	20

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