PAGE INDUSTRIES

COMPANY UPDATE

COFFEE WITH CEO

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	42,441
12 month price target (INR)	38,059
52 Week High/Low	54,349/34,953
Market cap (INR bn/USD bn)	473/5.7
Free float (%)	51.7
Avg. daily value traded (INR bn)	926.3

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%

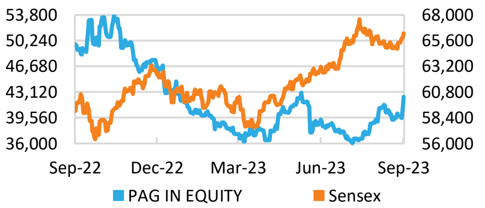
FINANCIALS (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Revenue	47,886	49,885	58,971	65,532
EBITDA	8,640	9,482	12,018	13,905
Adjusted profit	5,712	6,201	8,143	9,531
Diluted EPS (INR)	512.1	556.0	730.1	854.5
EPS growth (%)	6.5	8.6	31.3	17.0
RoAE (%)	46.4	40.6	43.2	41.0
P/E (x)	82.9	76.3	58.1	49.7
EV/EBITDA (x)	55.1	49.7	38.8	33.2
Dividend yield (%)	0.7	0.7	0.9	1.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY24E	FY25E	FY24E	FY25E
Revenue	49,885	58,971	0.4	0.5
EBITDA	9,482	12,018	1.5	1.1
Adjusted profit	6,201	8,143	1.7	1.2
Diluted EPS (INR)	556	730	1.7	1.2

PRICE PERFORMANCE



Tailwinds behind; initiatives at play

We interacted with Page's MD Mr V S Ganesh and CFO Mr Deepanjan Bandopadhya. Highlights: i) ARS implementation in the general trade channel, in addition to distribution returns, is an effort to lift assortment salience. While the impact on primary sales is behind, its rollout will take time. ii) On athleisure, Page believes current collection is enough to drive growth. iii) FY26 target: INR80bn in revenue, and expects share of EBO, online and LFS to touch ~50% (30–35% now).

With covid tailwinds on growth behind (particularly athleisure), Page is targeting multiple avenues to spur growth: ARS, category and channel. Retain 'REDUCE' with a TP of INR38,059 (earlier INR37,264), valuing at 50x Q1FY26 PE (as opposed to DCF earlier; details below).

Key interaction highlights

Womenswear segment: There is a need to increase focus and recall for Jockey among women customers. To achieve this, Page is contemplating exclusive and very different looking women EBOs in key cities.

Distribution: One of the issues with general trade is MBOs have limited shelf space and cannot showcase the entire brand range. An EBO can make available to the consumers the entire range of product offerings and also offer a superior brand experience. Hence, the EBO channel has been identified as a focussed growth driver.

ARS (auto replenishment system): A key aspect of implementing ARS is to address any potential brand fatigue—if left to distributor, they would end up ordering only regular SKUs/colours without any focus on assortment. For the inventory health and hygiene, and to make available the right product basket to the consumer, it is critical to keep improving assortment. The system is first being implemented with menswear distributors. While there is apprehension, Page is making efforts to address concerns. Besides, the impact of implementation on ARS on primary sales is behind. However, entire implementation and rollout will take time.

Athleisure: Page is targeting both in-home and out-of-home wear. According to Page, the assortment at this point is enough to drive any potential future growth. There are no white spaces left. Page is not looking at getting into performance wear.

Outlook: Page expects the share of EBO, LFS and online to touch 50% in the future from 30–35% now. Longer-term potential of EBOs is 3,000, and Page plans to add 200–250 EBO' a year. It is targeting INR80bn of revenues by FY26.

Taking initiatives, but not trajectory-changing

Page saw a significant benefit during covid, particularly in the athleisure segment. Hereon, growth shall be driven by initiatives to increase channel presence (EBO and online), SKUs (womenswear) and categories (athleisure). We believe Page's valuation has been a function of its growth outlook (see exhibit 11); hence, we are revising our target valuation to PE from DCF. Our target multiple of 50x PE factors in revenue CAGR of 11% versus 17% over FY15–19 (average PE: 55x). This yields a revised TP of INR38,059 (earlier INR37,264). We maintain **'REDUCE'**.

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Financial Statements

Income Statement (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Total operating income	47,886	49,885	58,971	65,532
Gross profit	26,207	27,936	33,024	36,698
Employee costs	8,812	8,900	9,790	10,378
Other expenses	8,754	9,553	11,215	12,415
EBITDA	8,640	9,482	12,018	13,905
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	8,230	10,807	12,649
Prov for tax	1,869	2,028	2,664	3,118
Less: Other adj	0	0	0	0
Reported profit	5,712	6,201	8,143	9,531
Less: Excp.item (net)	0	0	0	0
Adjusted profit	5,712	6,201	8,143	9,531
Diluted shares o/s	11	11	11	11
Adjusted diluted EPS	512.1	556.0	730.1	854.5
DPS (INR)	300.0	278.0	365.0	427.3
Tax rate (%)	24.6	24.6	24.6	24.6

Balance Sheet (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Share capital	112	112	112	112
Reserves	13,599	16,700	20,771	25,537
Shareholders funds	13,710	16,811	20,883	25,648
Minority interest	0	0	0	0
Borrowings	2,482	1,497	0	0
Trade payables	2,876	3,512	4,670	5,190
Other liabs & prov	6,163	6,933	8,205	9,123
Total liabilities	26,877	31,196	36,890	43,801
Net block	3,375	4,888	4,821	4,745
Intangible assets	1,477	2,061	2,675	3,319
Capital WIP	1,505	1,505	1,505	1,505
Total fixed assets	6,356	8,454	9,000	9,568
Non current inv	0	0	0	0
Cash/cash equivalent	81	3,826	7,566	11,706
Sundry debtors	1,461	1,995	2,359	2,621
Loans & advances	2,917	2,399	2,717	2,961
Other assets	16,062	14,521	15,249	16,945
Total assets	26,877	31,196	36,890	43,801

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	13.0
EBITDA margin (%)	18.0	19.0	20.4	21.2
Net profit margin (%)	11.9	12.4	13.8	14.5
Revenue growth (% YoY)	23.2	4.2	18.2	11.1
EBITDA growth (% YoY)	9.8	9.7	26.7	15.7
Adj. profit growth (%)	6.5	8.6	31.3	17.0

Free Cash Flow (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Reported profit	5,712	6,201	8,143	9,531
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	(3,116)	(1,068)	732
Operating cash flow	(16)	10,570	10,422	10,056
Less: Capex	(1,638)	(2,000)	(500)	(525)
Free cash flow	(1,654)	8,570	9,922	9,531

Assumptions (%)

Year to March	FY23A	FY24E	FY25E	FY26E
GDP (YoY %)	6.0	6.4	5.8	5.8
Repo rate (%)	4.0	4.0	4.0	4.0
USD/INR (average)	72.0	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

Key Ratios

Year to March	FY23A	FY24E	FY25E	FY26E
RoE (%)	46.4	40.6	43.2	41.0
RoCE (%)	59.1	50.9	57.3	56.3
Inventory days	216	245	194	188
Receivable days	12	13	13	14
Payable days	55	53	58	62
Working cap (% sales)	23.7	16.9	12.5	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	15.8	26.2	29.1

Valuation Metrics

Year to March	FY23A	FY24E	FY25E	FY26E
Diluted P/E (x)	82.9	76.3	58.1	49.7
Price/BV (x)	34.5	28.2	22.7	18.5
EV/EBITDA (x)	55.1	49.7	38.8	33.2
Dividend yield (%)	0.7	0.7	0.9	1.0

Valuation Drivers

Year to March	FY23A	FY24E	FY25E	FY26E
EPS growth (%)	6.5	8.6	31.3	17.0
RoE (%)	46.4	40.6	43.2	41.0
EBITDA growth (%)	9.8	9.7	26.7	15.7
Payout ratio (%)	58.6	50.0	50.0	50.0

Source: Company and Nuvama estimates

Strategic growth levers ahead – ARS, categories and channel

Page's strategic priorities in the short-, medium- and long-term include: i) transitioning to a pull-based auto replenishment system (ARS), improving product discoverability for all stakeholders; ii) accelerating the expansion in outerwear, women's innerwear, and socks, while continuing to drive men's innerwear growth; and iii) consolidating top MBOs for growth and strengthening Direct-to-Consumer channels.

Exhibit 1: Strategies for growth

Strategy	Description
Transition to Auto Replenishment System – Significant strides in second half of year	By ensuring optimum inventory health at the distributor level and fulfilling stock based on demand, the ARS ensures availability of the right mix and quantity of stock at the right time and place, leading to improved inventory mix, better product variety, and increased revenue and profitability for distributors and Page.
Product Penetration – Strategic product development for competitive edge and enhanced reach	Page invests in extensive research & development to identify consumer demands and marketing opportunities by leveraging expertise in design, fabric technology and manufacturing capabilities to bring products that resonate with consumers and create a strong brand presence
Focus on Outerwear, Women's Innerwear and Socks	Product premiumisation and innovation like the 1-mile-wear in athleisure, and cracking the code for women's innerwear, especially bras, has given the company room for growth
EBO expansion – The only brand with 1,300 EBOs and plans to expand at 200–250 EBOs YoY	EBO expansion strategy aims at market presence, enhancing brand visibility and capturing a larger pie of the retail market. This strategic approach aligns with commitment to delivering exceptional customer experiences and inching towards the long-term vision of becoming the leader in the premium innerwear segment.

Source: Company

Future channel expansion to be different from past

Over the last decade, Page has significantly expanded its distribution across channels. The MBO channel, specifically, scaled up post covid. Going forward, Page is targeting to increase the share of non-MBO channel. Furthermore, Page highlighted that majority of the MBO revenues are contributed by a smaller subset of outlets (~80% of revenues come from 20% of outlets). Thus, incremental expansion of MBO counters shall not drive revenues proportionately.

The focus ahead is on scaling up the EBO, LFS and online channels. It is targeting to add 200–250 EBOs per annum, similar to the historical run rate. Page is targeting to increase the share of modern retail (EBO, LFS and online channel) to ~50% by FY26E (our current estimate is ~33%).

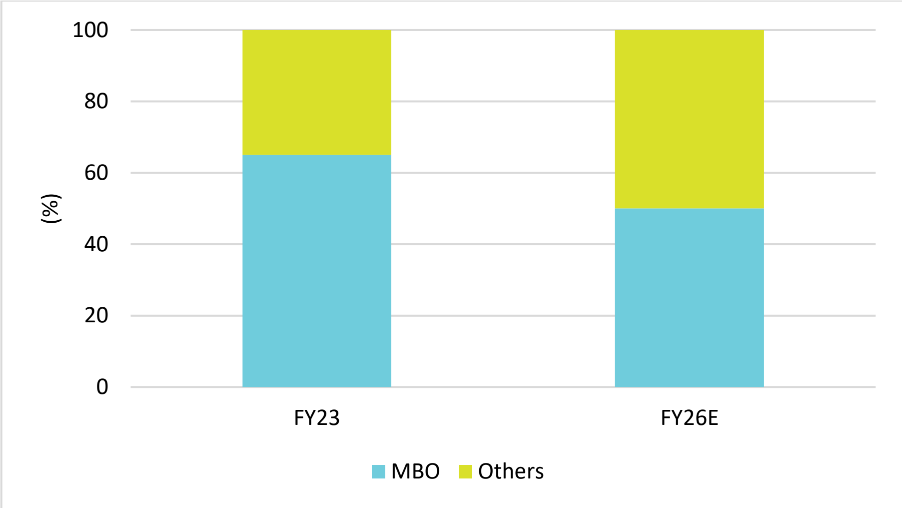
Exhibit 2: Page's distribution expansion over last decade

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
MBO channel										
Total Reach	23,000	30,000	40,000*	50,000	50,000	55,000	66,000	80,000	1,10,548	1,20,060
Cities	1,200	1,200	1,400	1,400	1,400	1,900	2,850	2,890	2,852	2,850
Distributors	NA	NA	NA	NA	NA	NA	3,550	3,900	4,347	4,266
Modern retail										
LFS reach	NA	NA	NA	NA	NA	NA	3,200	3,600	2,800	3,062
EBO	139	193	265	360	470	620	756	930	1,131	1,289
EBO cities	NA	NA	NA	NA	NA	NA	270	330	387	431

Source: Company, Nuvama Research

Note: FY16 total reach is an estimate

Exhibit 3: Page's current and targeted channel mix

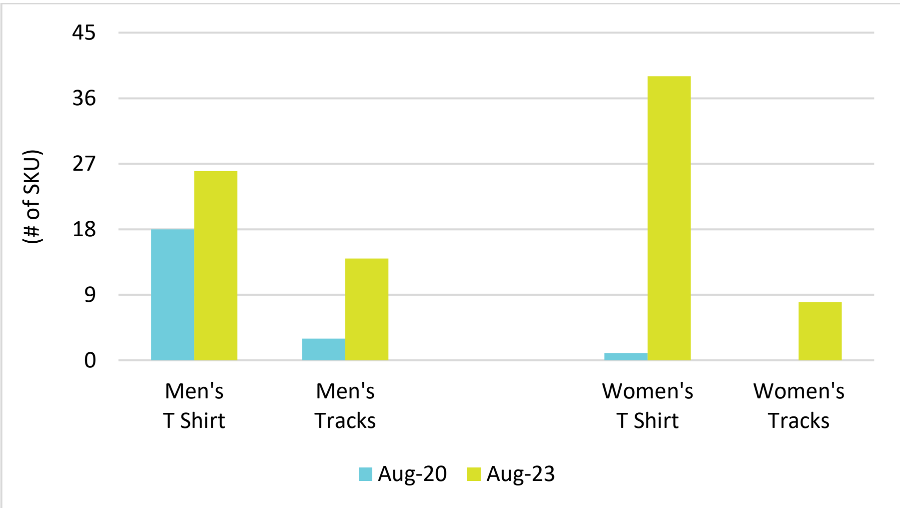


Source: Company, Nuvama Research

Stepping up athleisure offerings; channel, not collection, a key differentiator

As opposed to earlier, Page has increased the collection it offers in athleisure. During covid, given the supply constraints and surge in demand, Page was able to see a surge in demand as requirement for comfortable in-home wear surged, a sub-segment that was Page's athleisure collection's forte. As the situation has normalised, Page has focused on improving product offerings and the collections in athleisure.

Exhibit 4: Page's athleisure comparison versus earlier



Source: Online websites, Nuvama Research

Exhibit 5: Page's menswear athleisure collection

Category	Sub-category	Styles*	Min	Max	Average
Apparel Tops	T-shirts	26	549	1,199	874
	Polo's	9	999	1,399	1,199
	Jackets & Hoodies	9	1,799	2,699	2,249
	Sweatshirts	6	1,299	2,399	1,849
	Tank tops	4	599	879	739
	Henley's	1	949	949	949
Apparel Bottoms	Shorts	20	799	1,699	1,249
	Track pants	14	999	1,999	1,499
	Boxer shorts	8	479	799	639
	Joggers	7	1,349	1,999	1,674
	Pants	4	1,799	1,999	1,899
	Pyjamas	3	1,049	1,299	1,174
	Bermuda's	2	799	1,199	999

Source: Company, Nuvama Research
Note: Styles are exclusive of colour options

Exhibit 6: Page's womenswear athleisure collection

Category	Sub-category	Styles*	Min	Max	Average
Apparel Tops	T-shirts	39	499	1,499	999
	Tank tops	7	329	799	564
	Jackets & Hoodies	6	1,699	1,999	1,849
	Sweatshirts	4	1,049	1,499	1,274
	Polos	2	879	1,199	1,039
	Sleep Dress	2	949	999	974
	Shrug	1	1,499	1,499	1,499
Apparel Bottoms	Leggings	10	549	1,799	1,174
	Shorts	9	679	1,299	989
	Capris	8	779	1,589	1,184
	Track pants	8	949	1,499	1,224
	Pyjamas	5	899	1,049	974
	Joggers	3	1,199	1,399	1,299
	Pants	3	1,589	1,699	1,644

Source: Company, Nuvama Research, Note: Styles are exclusive of color options

While Page has a wide collection, it is still lower than peers. That said, Page's benefit also comes from its wide distribution reach, which is much higher than many of its athleisure peers. *According to our understanding, the share of EBO channel is much higher in athleisure versus other categories.*

Exhibit 7: Menswear athleisure comparison

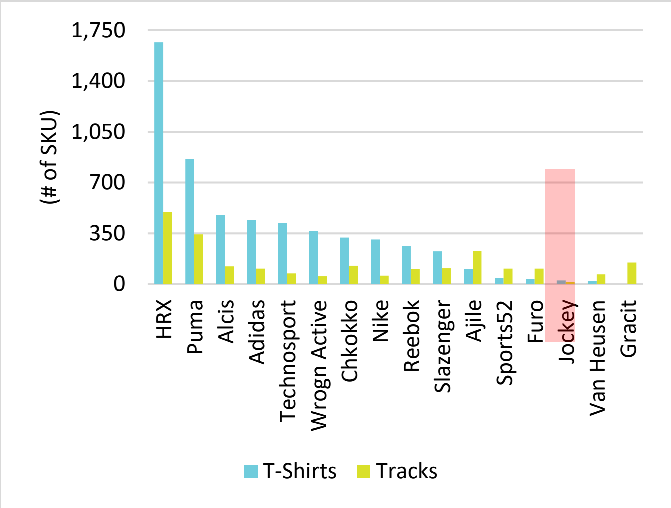
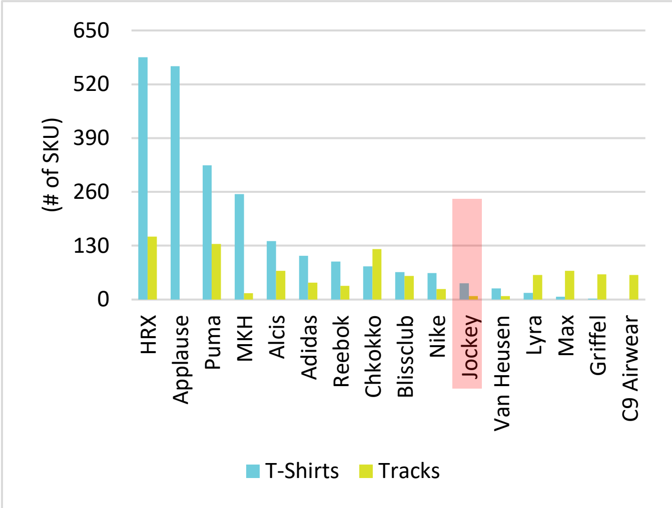


Exhibit 8: Womenswear athleisure comparison



Source: Myntra.com, Nuvama Research

Exhibit 9: Channel presence for key menswear athleisure brands

Brand	EBO	LFS
Puma	Y	Y
Adidas	Y	Y
HRX	Y	Y
Van Heusen	Y	Y
Reebok	Y	Y
Jockey	Y	Y
Nike	Y	Y
Alcis	Y	Y
Chkokko	N	N
Slazenger	N	N
Technosport	N	N
Wrogn Active	Y	Y
Ajile by Pantaloons	N	Y
Furo by Red Chief	N	N
Gracit	N	N
Sports52 wear	N	N

Source: Nuvama Research

ARS implementation – Focus to improve assortment across channels

Page is in the middle of implementing a pull-based Auto Replenishment System, which ensures inventory is continuously updated based on real-time demand. As per Page, this will help enhance inventory management and reduce waste. ARS implementation will ensure that customers have seamless access to the products they desire.

ARS implementation across its MBO channel started in FY20, but Page put implementation on hold due to the volatility created by changes in product demand mix and supply chain challenges through the pandemic. This meant that the distributors were free to order based on availability and based on their best judgement, resulting in an imbalance in the channel partners' inventory. In FY23, ARS was reinstated and is now being implemented in full.

ARS is more important for athleisure due to its fashion content vis-à-vis innerwear. Thus, all athleisure distributors are on ARS, whereas 60% of innerwear distributors have been migrated.

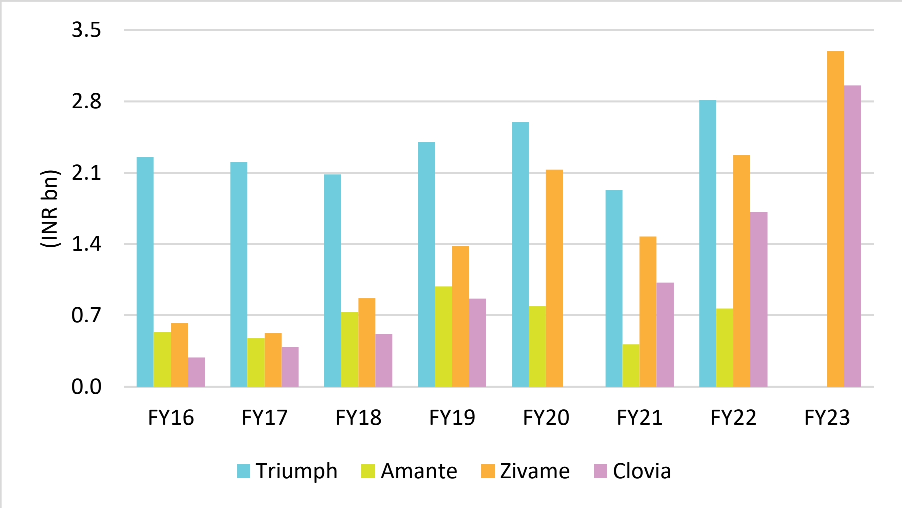
Focus on reducing slow-moving SKUs, i.e. keeping healthy stock will automatically help optimise inventory at the distributor level, which shall improve RoI.

Potential market share loss in women's innerwear; initiatives at play

While Page is a market leader even in women's innerwear, its market share is not as high as in men's innerwear. Traditionally, Page has had a lower market share in the brassiere segment. The company is now targeting to step up its collection in the brassiere segment.

Over FY19–23, Zivame and Clovia reported revenue CAGRs of 24% and 36%, respectively, versus ~10% for Page (Nuvama estimate).

Exhibit 10: Growth comparison of women's innerwear-focused companies



Source: Company filings, Nuvama Research

Outlook and valuation

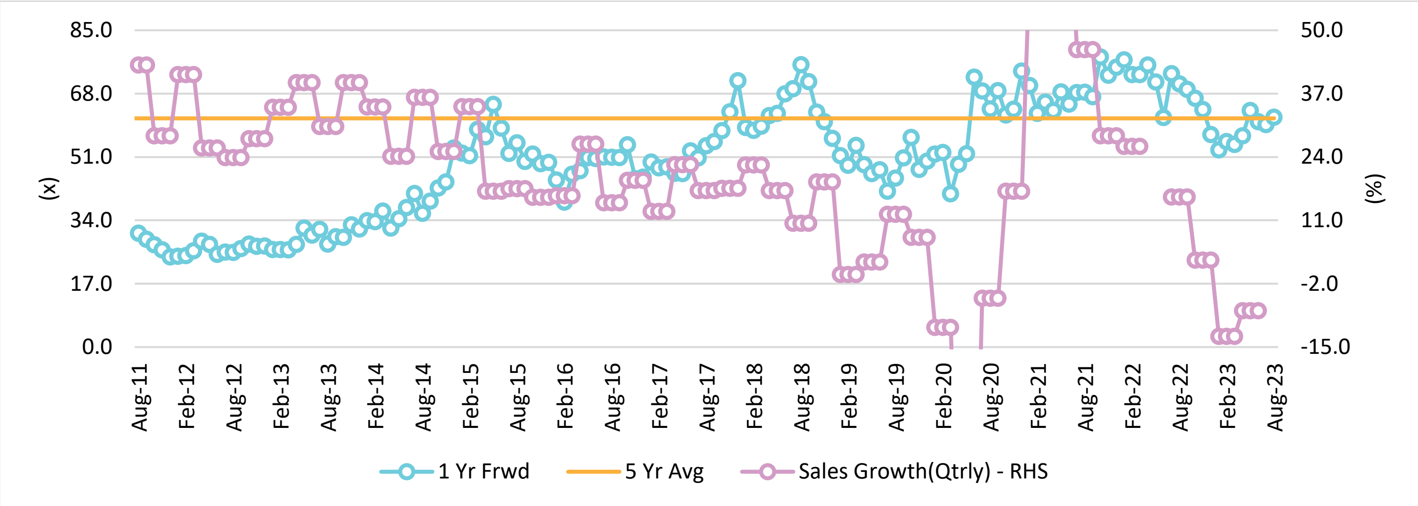
Page's valuation: A function of its growth

Page's premium valuations to other apparel players and the consumer discretionary pack in general is a function of its strong growth over the past decade and cash-rich high-returns business. With its business remaining cash-rich and high-RoCE (not seen any working capital deterioration or need for backward integration), Page's valuation has been a function of its sales growth.

The stock re-rated significantly over FY09–17 as Page's sales growth kept beating expectations (average quarterly growth: 31%). The stock suffered a de-rating post-FY18 as growth moderated. It traded at a peak multiple of 74x in Aug-18, post the last quarter of its famed 20% consistent growth every quarter.

We believe Page's valuation has been a function of its growth outlook (refer to exhibit 11); hence we are revising the target valuation to PE from DCF. Our target 50x PE factors in an 11% revenue CAGR (FY23–26E) that we build in versus 17% over FY15–19 (average PE: 55x). This yields a revised TP of INR38,059 (INR37,264 earlier). Maintain 'REDUCE'.

Exhibit 11: Page's valuation and growth history



Source: Bloomberg, Nuvama research

Exhibit 12: Valuation summary

Particulars	
Q1FY26 EPS (INR)	761
Target PE (x)	50
Target Price (INR)	38,059
CMP (INR)	42,439
Upside (%)	-10

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 licencee 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 licencee 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

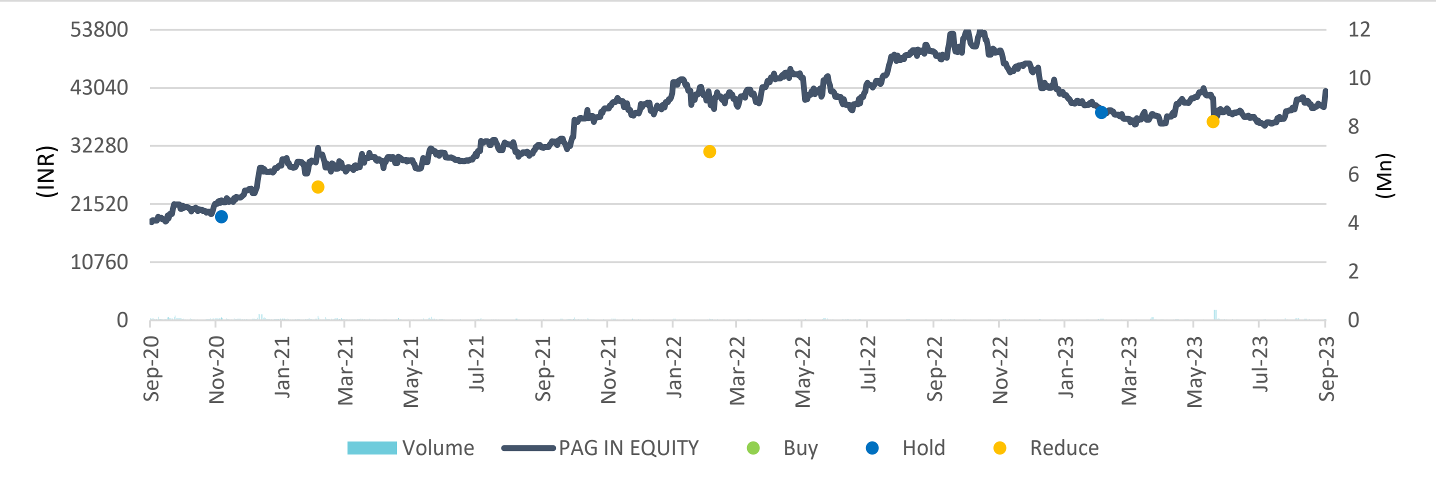
Recent Company Research

Date	Title	Price	Reco
10-Aug-23	Cost-driven beat; underlying still weak; *Result Update*	40,067	Reduce
25-May-23	Quite a shocker; ARS hangover to linger; *Result Update*	41,140	Reduce
10-Feb-23	Margin hit; normalising pent up growth ; *Result Update*	37,990	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
16-Aug-23	TCNS Clothing	Weak performance; *Result Update*
29-May-23	TCNS Clothing	All round disappointment ; *Result Update*
14-Feb-23	TCNS Clothing	Underdressed: Muted showing all over; *Result Update*

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%	195
Hold	<15% and >-5%	64
Reduce	<-5%	20

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