PAGE INDUSTRIES

nuvama institutional equities

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	35,581
12 month price target (INR)	34,029
52 Week High/Low	42,885/33,070
Market cap (INR bn/USD bn)	397/4.8
Free float (%)	51.7
Avg. daily value traded (INR mn)	1,006.0

SHAREHOLDING PATTERN

	Mar-24	Dec-23	Sep-23
Promoter	45.11%	45.11%	45.11%
FII	20.86%	21.78%	21.98%
DII	25.85%	23.92%	22.92%
Pledge	0%	0%	0%

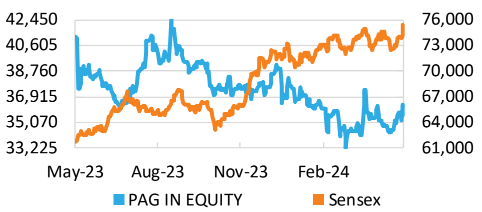
FINANCIALS (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Revenue	47,886	45,817	54,539	60,629
EBITDA	8,640	8,723	10,246	11,900
Adjusted profit	5,712	5,692	6,766	7,908
Diluted EPS (INR)	512.1	510.3	606.6	708.9
EPS growth (%)	6.5	(0.4)	18.9	16.9
RoAE (%)	46.4	38.4	38.3	37.1
P/E (x)	71.7	72.0	60.5	51.8
EV/EBITDA (x)	47.7	46.6	39.4	33.7
Dividend yield (%)	0.8	0.7	0.8	1.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY25E	FY26E	FY25E	FY26E
Revenue	54,539	60,629	-0.7	-1.5
EBITDA	10,246	11,900	-6.4	-6.4
Adjusted profit	6,766	7,908	-7.4	-7.3
Diluted EPS (INR)	606.6	708.9	-7.4	-7.3

PRICE PERFORMANCE



A broad undershoot; recovery gradual

Page Industries (Page) undershot across the board with Q4FY24 revenue/EBITDA/PAT missing consensus forecast by 12%/17%/18%. The key highlight is the 6.5% volume growth (including some benefit from accessories—not quantified). Page also mentioned the worst is behind and that it is only little impacted by increased competition. The core issue of excessive inventory persists—particularly in athleisure—and shall take some time to normalise in our view.

We expect a slightly delayed recovery, which drives a 7%/7% cut in our FY25E/26E earnings. This along with a rollover to FY26E yields a revised TP of INR34,029 (earlier INR36,719) at an unchanged 48x PE; retain 'REDUCE'. Growth improvement shall trigger a re-rating in our view.

Volumes up, revenue flat; cost optimisation drives margin

Page reported flat YoY revenue at INR10bn with volume growth of 6.5% YoY. Realisation fell 3% YoY due to a lower share of athleisure products and a higher share of accessories. Inventory remains high for Page—although it is higher for the industry. Competition is resorting to higher discounting to clear inventory. As the inventory is not seasonal, Page intends to run it down organically. Demand at the tertiary level is weak. Overall demand was subdued with a shift towards travel & leisure. Page is expecting a gradual improvement in demand with higher pickup coming in the second half.

On reported CoGS, gross margin edged down 100bp YoY. The key highlight is cost control, wherein opex fell—both as a percentage of sales and in absolute terms YoY and QoQ despite sales staying almost flat. Employee cost reduction is not just a function of lower production, but also of outsourcing and productivity. EBITDA margin thus came in at 16.8% (Q4FY23: 13.9%; Q3FY24: 18.7%). EBITDA is 16% below estimate. Overall, EBITDA/PAT grew 25%/38% YoY. Page is carrying out store consolidation across its network, and expects it to continue until H1FY25. It is now present in ~106,835 MBOs (FY23: ~120,000; FY22: ~110,500). E-commerce rose 30% YoY. EBO like-to-like growth has been encouraging in the H2FY24, and has picked up.

Initiatives visible, but unlikely to alter trajectory

Page benefited remarkably during covid, particularly in the athleisure segment. Hereon though, 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. Given the company's persistently muted performance, we retain target PE at 48x, which factors in a revenue CAGR of 8% (FY23–26E) versus 17% over FY15–19 (average PE: 55x).

Financials

Year to March	Q4FY24	Q4FY23	% Change	Q3FY24	% Change
Net Revenue	9,954	9,646	3.2	12,288	(19.0)
EBITDA	1,672	1,343	24.5	2,297	(27.2)
Adjusted Profit	1,082	784	38.1	1,524	(29.0)
Diluted EPS (INR)	97.0	70.2	38.1	136.6	(29.0)

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Financial Statements

Income Statement (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Total operating income	47,886	45,817	54,539	60,629
Gross profit	26,207	24,937	29,724	33,194
Employee costs	8,812	8,010	9,609	10,281
Other expenses	8,754	8,204	9,869	11,013
EBITDA	8,640	8,723	10,246	11,900
Depreciation	781	908	1,029	1,173
Less: Interest expense	426	449	422	443
Add: Other income	147	200	184	210
Profit before tax	7,581	7,565	8,979	10,494
Prov for tax	1,869	1,873	2,213	2,587
Less: Other adj	0	0	0	0
Reported profit	5,712	5,692	6,766	7,908
Less: Excp.item (net)	0	0	0	0
Adjusted profit	5,712	5,692	6,766	7,908
Diluted shares o/s	11	11	11	11
Adjusted diluted EPS	512.1	510.3	606.6	708.9
DPS (INR)	300.0	255.2	303.3	354.5
Tax rate (%)	24.6	24.8	24.6	24.6

Balance Sheet (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Share capital	112	112	112	112
Reserves	13,599	15,858	19,240	23,194
Shareholders funds	13,710	15,969	19,352	23,306
Minority interest	0	0	0	0
Borrowings	2,482	0	0	0
Trade payables	2,876	2,200	4,467	4,938
Other liabs & prov	6,163	6,661	7,543	8,395
Total liabilities	26,877	26,733	34,125	40,109
Net block	3,375	3,161	4,877	4,774
Intangible assets	1,477	1,717	2,233	2,767
Capital WIP	1,505	2,387	1,505	1,505
Total fixed assets	6,356	7,265	8,615	9,045
Non current inv	0	0	0	0
Cash/cash equivalent	81	3,210	5,516	8,971
Sundry debtors	1,461	1,586	2,182	2,425
Loans & advances	2,917	0	2,584	2,814
Other assets	16,062	14,671	15,230	16,855
Total assets	26,877	26,733	34,125	40,109

Important Ratios (%)

Year to March	FY23A	FY24E	FY25E	FY26E
Menswear (% YoY)	23.0	NA	15.0	10.0
Womenswear (% YoY)	23.0	5.0	16.0	12.0
Athleisure (% YoY)	23.0	(5.0)	15.0	12.0
EBITDA margin (%)	18.0	19.0	18.8	19.6
Net profit margin (%)	11.9	12.4	12.4	13.0
Revenue growth (% YoY)	23.2	(4.3)	19.0	11.2
EBITDA growth (% YoY)	9.8	1.0	17.5	16.1
Adj. profit growth (%)	6.5	(0.4)	18.9	16.9

Free Cash Flow (INR mn)

Year to March	FY23A	FY24E	FY25E	FY26E
Reported profit	5,712	5,692	6,766	7,908
Add: Depreciation	781	908	1,029	1,173
Interest (net of tax)	321	338	318	334
Others	(48)	(88)	(80)	(101)
Less: Changes in WC	6,782	(3,995)	370	744
Operating cash flow	(16)	10,844	7,663	8,570
Less: Capex	1,638	1,148	1,352	525
Free cash flow	1,622	11,992	9,015	9,095

Assumptions (%)

Year to March	FY23A	FY24E	FY25E	FY26E
GDP (YoY %)	7.2	6.5	6.3	6.5
Repo rate (%)	6.5	6.5	5.3	5.3
USD/INR (average)	80.0	84.0	82.0	81.0
Gross Margin (%)	54.7	54.4	54.5	54.8
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	38.4	38.3	37.1
RoCE (%)	59.1	49.8	53.2	51.3
Inventory days	216	242	184	187
Receivable days	12	12	13	14
Payable days	55	44	49	63
Working cap (% sales)	23.7	15.9	14.5	14.3
Gross debt/equity (x)	0.2	0	0	0
Net debt/equity (x)	0.2	(0.2)	(0.3)	(0.4)
Interest coverage (x)	18.5	17.4	21.9	24.2

Valuation Metrics

Year to March	FY23A	FY24E	FY25E	FY26E
Diluted P/E (x)	71.7	72.0	60.5	51.8
Price/BV (x)	29.9	25.6	21.2	17.6
EV/EBITDA (x)	47.7	46.6	39.4	33.7
Dividend yield (%)	0.8	0.7	0.8	1.0

Valuation Drivers

Year to March	FY23A	FY24E	FY25E	FY26E
EPS growth (%)	6.5	(0.4)	18.9	16.9
RoE (%)	46.4	38.4	38.3	37.1
EBITDA growth (%)	9.8	1.0	17.5	16.1
Payout ratio (%)	58.6	50.0	50.0	50.0

Source: Company and Nuvama estimates

Q4FY24 conference call highlights

Industry

- Industry was impacted by lower consumption growth.
- Q4 saw a slight uptick in growth during the end of the quarter.

Q4FY24/FY24

- Improvement in inventory is in-line with Page's initiatives. Page inventory as of FY24 was 93 days of which finished goods is 70 days.
- S&M was 3.9%/INR1.8bn for FY24. Company will spend around 4-4.5%.
- During H2FY24, EBO's reported positive LTL. There was a decent improvement in Q4FY24.

Category

- Men's innerwear has seen 6% volume growth, even women's has seen positive growth higher than women's wear. Implied that growth in athleisure has been a marginal growth.
- For FY24, athleisure was down YoY.
- Bras, junior will see higher proportion of revenues being spent on advertising vs. company average. Large portion of investments is BTL and category agnostic.
- In womenswear, Page has reached a decent maturity in terms of the collections/need stages. Going forward there will be a few more solution based launches. Bras already has a wide collection. Further focus is on refreshment and consolidation of collections.
- Versus twice a year launches in men's and women; in case of Kids, Page has been refreshing collections four times a year.

Distribution

- Inventory at the channel level has seen an improvement of 6 days in FY24 with 3 days in Q4. In addition, the inventory is healthier in terms of quality. Inventory is still at an inflated level and will take time.
- Inventory in the distribution channel would be around 20mn pieces. Inventory in innerwear is as per company's expectation. However, athleisure is on the higher end.
- EBO channel inventory is healthier vs. MBO
- Last year there has been a case of consolidation and focus larger properties in case of EBO's. This will also happen in H1FY25 post which Page believes it would have concluded the network rationalization.
- In Q4FY24, share of ecommerce was 8% with a 30% YoY growth. eCommerce share for FY24 was 7%

Others

- IN FY23, Page was being investigated for under-valuing imports. Company voluntarily paid IN30mn, and the case has been settled.

Outlook

- Page expects a gradual improvement with a higher pickup in the latter half. Planning will be for a gradual uptick.
- Had company gone via the old practice of focusing on primary and pushing sales, Page could have seen higher sales. However, the focus is on having the right quality of inventory.
- Once the channel inventory is sorted, Page expects growth in athleisure to pick-up again.
- Page believes the situation is much better for itself vis-a-vis peers, and it should be the first one to bounce back once sentiments improve.

Exhibit 1: Performance summary (INR mn)

	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Key Financials											
Sales	10,840	11,898	11,111	13,413	12,282	12,000	9,646	12,324	11,251	12,288	9,954
EBIDTA	2,334	2,507	2,671	2,978	2,379	1,928	1,343	2,419	2,335	2,297	1,672
EBIDTA Margin	22%	21%	24%	22%	19%	16%	14%	20%	21%	19%	17%
Adjusted PAT	1,605	1,746	1,905	2,070	1,621	1,237	784	1,584	1,503	1,524	1,082
PAT Margin	15%	15%	17%	15%	13%	10%	8%	13%	13%	12%	11%
% YoY Growth											
Sales	46	28	26	167	13	1	-13	-8	-8	2	3
EBIDTA	41	11	57	771	2	-23	-50	-19	-2	19	24
PAT	45	14	65	1,791	1	-29	-59	-24	-7	23	38
% QoQ Growth											
Sales	116	10	-7	21	-8	-2	-20	28	-9	9	-19
EBIDTA	582	7	7	11	-20	-19	-30	80	-3	-2	-27
PAT	1,366	9	9	9	-22	-24	-37	102	-5	1	-29
Distribution											
EBO	1,000	1,030	1,131	1,144	1,191	1,228	1,289	1,332	1,372	1,394	1,378
MBO	94,000	1,05,200	1,10,548	1,13,715	1,18,123	1,18,838	1,20,060	1,20,461	1,18,128	1,13,688	1,06,835
Volumes (% YoY)											
Volume (mn pcs)	57	60	50	63	57	53	43	56	52	55	45
ASP (INR)	192	199	223	213	216	227	227	221	217	223	220
Volumes (% YoY)	44	25	9	150	0	-12	-15	-12	-9	5	7

Source: Company, Nuvama Research

Outlook and valuation

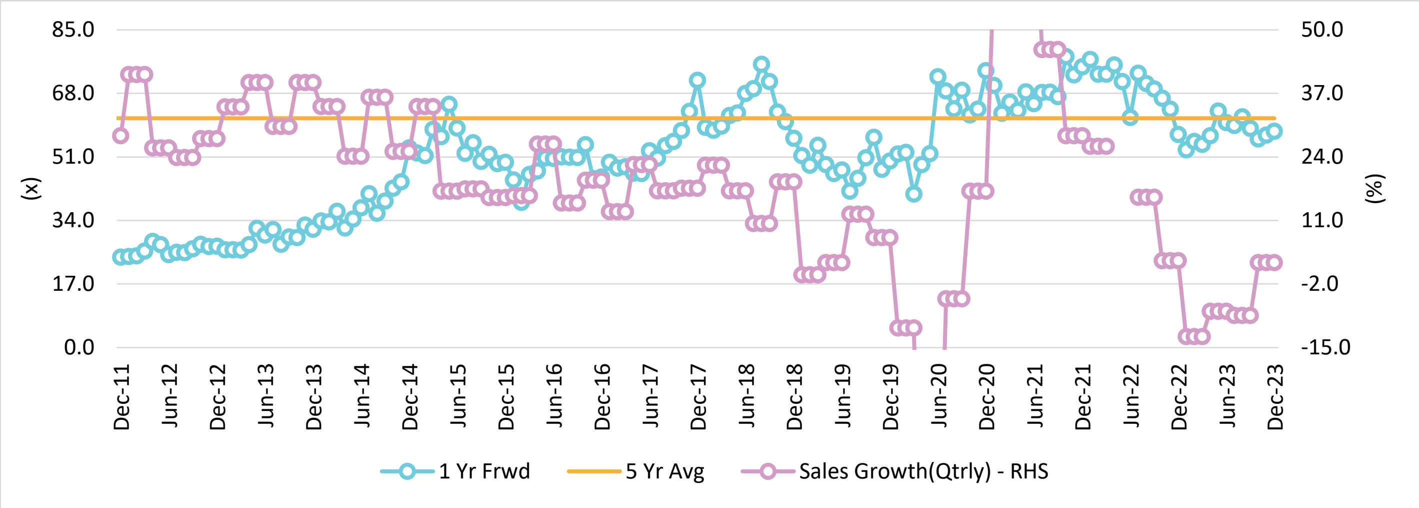
Page's valuation: A function of its growth

Page's premium valuation to other apparel players and the consumer discretionary pack at large 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 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.

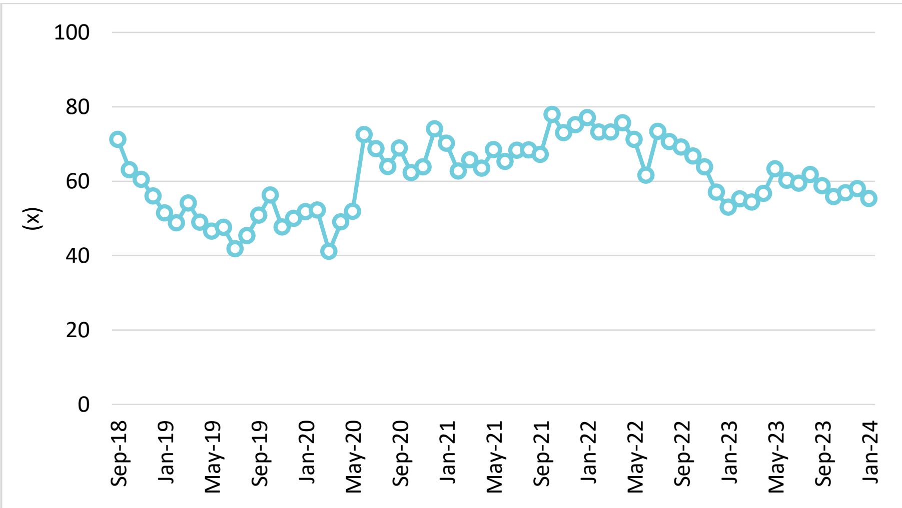
We believe Page's valuation has been a function of its growth outlook (refer to exhibit 2). Our target 48x PE factors in a revenue CAGR of 8% (FY23–26E) that we build in versus 17% over FY15–19 (average PE 55x). This yields a revised TP of INR34,029 (INR35,337 earlier). Maintain **'REDUCE'**.

Exhibit 2: Page's valuation and growth history



Source: Bloomberg, Nuvama Research

Exhibit 3: One-year forward P/E



Source: Bloomberg, Nuvama Research

Exhibit 4: Valuation summary

FY26 EPS (INR)	709
Target PE (x)	48
Target Price (INR)	34,029
CMP (INR)	36,719
Upside (%)	-7%

Source: Company, Nuvama Research

Exhibit 5: Quarterly summary

Year to March	Q4FY24	Q4FY23	% YoY	Q3FY24	% QoQ	FY23	FY24E	FY25E
Revenue	9,954	9,646	3.2	12,288	(19.0)	47,886	45,817	54,539
Raw material costs	4,363	4,131	5.6	5,765	(24.3)	21,680	20,880	24,815
Gross profit	5,590	5,515	1.4	6,522	(14.3)	26,207	24,937	29,724
Employee costs	1,935	2,212	(12.5)	1,949	(0.7)	8,812	8,010	9,609
Other expenses	1,983	1,959	1.2	2,276	(12.9)	8,754	8,204	9,869
Total operating expenses	3,918	4,171	(6.1)	4,226	(7.3)	17,566	16,214	19,478
EBITDA	1,672	1,343	24.5	2,297	(27.2)	8,640	8,723	10,246
Depreciation	226	213	6.0	226	(0.2)	781	908	1,089
EBIT	1,446	1,130	28.0	2,070	(30.1)	7,859	7,814	9,157
Less: Interest Expense	105	136	(23.2)	105	(0.4)	426	449	422
Add: Other income	109	71	52.4	55	95.8	147	200	184
Profit Before Tax	1,450	1,065	36.1	2,021	(28.2)	7,581	7,565	8,919
Less: Provision for Tax	368	282	30.7	497	(26.0)	1,869	1,873	2,198
Reported Profit	1,082	784	38.1	1,524	(29.0)	5,712	5,692	6,721
Adjusted Profit	1,082	784	38.1	1,524	(29.0)	5,712	5,692	6,721
NOSH	11	11		11		11	11	11
Adjusted EPS	97	70	38.1	137	(29.0)	512	510	603
P/E (x)						78	79	66
EV/EBITDA (x)						52	51	43
ROAE (%)						46	38	38
As % of revenues								
COGS	43.8	42.8		46.9		45.3	45.6	45.5
Gross profit	56.2	57.2		53.1		54.7	54.4	54.5
Employee costs	19.4	22.9		15.9		18.4	17.5	17.6
Other expenses	19.9	20.3		18.5		18.3	17.9	18.1
Total operating expenses	39.4	43.2		34.4		36.7	35.4	35.7
EBITDA	16.8	13.9		18.7		18.0	19.0	18.8
Net profit	10.9	8.1		12.4		11.9	12.4	12.3

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
SBI MF	9.60	Nippon Life AMC	1.47
Nalanda India F	6.91	NPS Trust	1.40
Blackrock	2.19	UTI AMC	1.39
Vanguard	2.05	Mirae Asset Glo	1.33
HDFC Life Insur	1.70	ICICI Prudentia	0.76

**Latest public data*

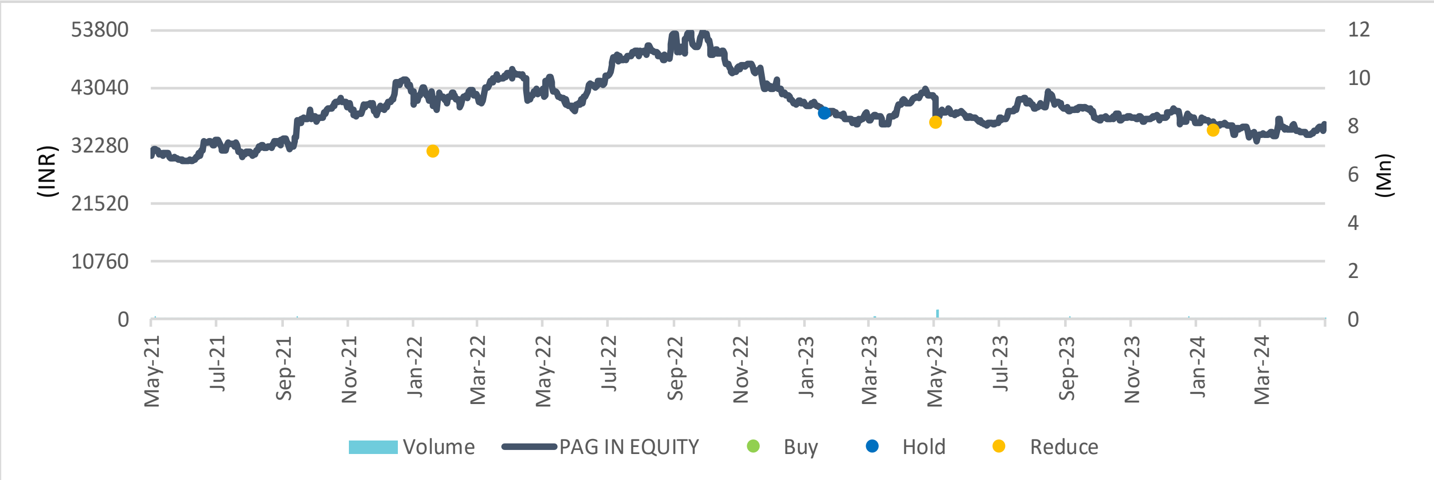
Recent Company Research

Date	Title	Price	Reco
08-Feb-24	Normalising gradually; *Result Update*	36719	Reduce
09-Nov-23	Await demand revival; key metric for us; *Result Update*	37658	Reduce
07-Sep-23	Tailwinds behind; initiatives at play; *Company Update*	42438	Reduce

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%	212
Hold	<15% and >-5%	62
Reduce	<-5%	23

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