

PAGE INDUSTRIES

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	40,734
12 month price target (INR)	33,226
52 Week High/Low	42,922/33,070
Market cap (INR bn/USD bn)	454/5.4
Free float (%)	51.7
Avg. daily value traded (INR mn)	1,011.7

SHAREHOLDING PATTERN

	Jun-24	Mar-24	Dec-23
Promoter	45.04%	45.11%	45.11%
FII	20.55%	20.86%	21.78%
DII	28.1%	26.6%	24.62%
Pledge	0%	0%	0%

FINANCIALS

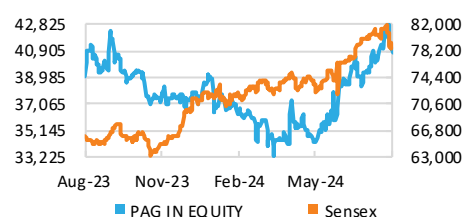
(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	45,817	50,774	58,133	66,575
EBITDA	8,723	9,425	10,912	12,638
Adjusted profit	5,692	6,274	7,396	8,696
Diluted EPS (INR)	510.3	562.5	663.1	779.7
EPS growth (%)	(0.4)	10.2	17.9	17.6
RoAE (%)	38.4	36.5	37.2	37.7
P/E (x)	79.8	72.4	61.4	52.2
EV/EBITDA (x)	51.7	47.4	40.7	34.9
Dividend yield (%)	0.8	0.8	1.0	1.2

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY25E	FY26E	FY25E	FY26E
Revenue	50,774	58,133	-6.9%	-4.1%
EBITDA	9,425	10,912	-8.2%	-8.4%
Adjusted profit	6,274	7,396	-7.6%	-6.8%
Diluted EPS (INR)	562.5	663.1	-7.6%	-6.8%

PRICE PERFORMANCE



Muted growth despite soft base

Page Industries (Page) reported slow growth, with revenue/volume inching up 4%/3% YoY. Demand improved slightly in rural areas while e-commerce grew more than 30%. Margins fell to 19% due to increased marketing and tech spending.

Q1 is seasonally a strong quarter for Page, and the current growth of 4% on a soft base leads us to build in a more delayed recovery. We are cutting FY25E/26E revenue by 7%/4% and PAT by 8%/7%. We are valuing Page at two-year forward P/E of 48x. Reiterate 'REDUCE' with a TP of INR33,226/share (INR34,029 earlier), implying a downside of 18% from current levels.

Volumes up, revenue flat; cost optimisation drives margin

Page reported 4% YoY revenue at INR12.8bn with volume growth of 3% YoY. Realisations improved 0.7% YoY due to better product and category mix. Page is seeing an improvement in Inventory at the distributor level with a reduction of six days of Inventory in the current quarter. Demand at the tertiary level is picking up with secondary sales posting better growth than primary sales. Overall demand conditions remain subdued and similar to last quarter.

On reported CoGS, gross margin improved 90bp YoY due to a better product and channel mix. On overheads, Page showed resilience in the employee cost falling both as a percentage of sales and absolute terms. Employee costs reduction is not just a function of lower production, but also due to outsourcing and productivity. Other expenses increased, on the back of higher advertisement cost and investment in tech for digital transformation. As a result, EBITDA margin came in at 19.0% (Q1FY24: 19.6%; Q4FY24: 16.8%). Overall, EBITDA/PAT grew 0.6%/4.3% YoY. Page is carrying out store consolidation across its network and expects it to continue until H1FY25. It is now present in ~104,696 MBOs (FY24: ~107,000; FY23: ~120,000). The e-commerce channel rose 32% YoY.

Key takeaways from conference call

Takeaways: i) Tier 3 and 4 towns have seen better growth than Tier 1 and 2 along with Metros. Moreover, this has been the trend for the past few quarters. ii) E-commerce contribution is about 7–8%. Quick commerce contribution is low and should be decent by year-end. iii) Page has plans to add 150–180 stores in the modern trade channel. iv) EBITDA range should be at 18%–21%. v) There are early signs of positive indicators, with an uptick in rural consumption likely to provide a boost to overall consumption.

Financials

Year to March	Q1FY25	Q1FY24	% Change	Q4FY24	% Change
Net Revenue	12,775	12,324	3.7	9,954	28.3
EBITDA	2,433	2,419	0.6	1,672	45.5
Adjusted Profit	1,652	1,584	4.3	1,082	52.7
Diluted EPS (INR)	148.1	142.0	4.3	97.0	52.7

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	45,817	50,774	58,133	66,575
Gross profit	24,971	27,926	31,973	36,616
Employee costs	8,036	9,000	9,991	11,189
Other expenses	8,212	9,500	11,070	12,789
EBITDA	8,723	9,425	10,912	12,638
Depreciation	908	926	1,004	1,064
Less: Interest expense	449	444	466	490
Add: Other income	200	272	373	457
Profit before tax	7,565	8,326	9,815	11,541
Prov for tax	1,873	2,052	2,419	2,845
Less: Other adj	0	0	0	0
Reported profit	5,692	6,274	7,396	8,696
Less: Excp.item (net)	0	0	0	0
Adjusted profit	5,692	6,274	7,396	8,696
Diluted shares o/s	11	11	11	11
Adjusted diluted EPS	510.3	562.5	663.1	779.7
DPS (INR)	310.0	341.7	402.8	473.6
Tax rate (%)	24.8	24.6	24.6	24.6

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Menswear (% YoY)	0	8.0	15.0	15.0
Womenswear (% YoY)	5.0	8.0	15.0	15.0
Athleisure (% YoY)	(5.0)	6.0	14.0	14.0
EBITDA margin (%)	19.0	18.6	18.8	19.0
Net profit margin (%)	12.4	12.4	12.7	13.1
Revenue growth (% YoY)	(2.8)	10.8	14.5	14.5
EBITDA growth (% YoY)	1.3	8.0	15.8	15.8
Adj. profit growth (%)	(0.4)	10.2	17.9	17.6

Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	6.5	6.3	6.5	6.5
Repo rate (%)	6.5	5.3	5.3	5.3
USD/INR (average)	84.0	82.0	81.0	81.0
Gross Margin (%)	54.5	55.0	55.0	55.0
Inventory (% of RM)	46.1	44.0	44.0	44.0
Receivable (% of Rev.)	3.5	3.5	3.5	3.5
Capex (INR mn)	960.9	500.0	525.0	550.0

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	79.8	72.4	61.4	52.2
Price/BV (x)	28.5	24.7	21.3	18.4
EV/EBITDA (x)	51.7	47.4	40.7	34.9
Dividend yield (%)	0.8	0.8	1.0	1.2

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	112	112	112	112
Reserves	15,858	18,320	21,223	24,637
Shareholders funds	15,969	18,432	21,335	24,748
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	2,200	4,113	4,709	5,393
Other liabs & prov	6,661	7,392	8,477	9,721
Total liabilities	26,733	32,170	37,103	42,813
Net block	3,161	3,161	3,150	3,130
Intangible assets	1,717	2,011	2,315	2,634
Capital WIP	2,387	1,505	1,505	1,505
Total fixed assets	7,265	6,676	6,970	7,269
Non current inv	0	0	0	0
Cash/cash equivalent	3,210	8,008	10,076	12,670
Sundry debtors	1,586	1,758	2,013	2,305
Loans & advances	2,720	3,199	3,573	3,997
Other assets	11,951	12,528	14,471	16,571
Total assets	26,733	32,170	37,103	42,813

Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	5,692	6,274	7,396	8,696
Add: Depreciation	908	926	1,004	1,064
Interest (net of tax)	338	335	351	369
Others	65	(163)	(258)	(336)
Less: Changes in WC	(3,802)	(1,421)	881	878
Operating cash flow	10,805	8,794	7,612	8,915
Less: Capex	946	(398)	525	551
Free cash flow	11,751	8,396	8,137	9,466

Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	38.4	36.5	37.2	37.7
RoCE (%)	49.8	51.0	51.7	52.2
Inventory days	242	191	184	185
Receivable days	12	12	12	12
Payable days	44	50	62	62
Working cap (% sales)	15.9	11.6	11.7	11.5
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	(0.4)	(0.5)	(0.5)
Interest coverage (x)	17.4	19.1	21.2	23.6

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	(0.4)	10.2	17.9	17.6
RoE (%)	38.4	36.5	37.2	37.7
EBITDA growth (%)	1.3	8.0	15.8	15.8
Payout ratio (%)	60.7	60.7	60.7	60.7

Q1FY25 conference call: Key takeaways

Demand environment

- The operating environment in Q1 remains stable and largely consistent with the preceding quarters, with no significant improvement in consumption.
- There are early signs of positive indicators, with an uptick in rural consumption expected to provide a boost to overall consumption in coming quarters.
- Tier 3 and 4 towns have seen better growth than Tier 1, 2 and Metros. Moreover, this has been the trend for the past few quarters.

Q1FY25

- Continue to invest in digital investments and marketing spends.
- Inventory days have come down by six days at the distributor level; excluding athleisure it was down by 10 days.
- A couple of quarters more before the inventory levels get normalised, and primary and secondary sales are in tandem
- The company does not see any input costs, especially in fabric and yarn, creating pressure that can lead to a price increase in the current financial year.
- Industry discounting has significantly reduced compared with the aggressive offers seen in the first half of last year. Competitors cut back on discounts as sales did not meet expectations.
- Secondary and tertiary demand has been ahead of primary, with better sales at the point of sale compared with what was realised in the primary.
- Channel inventory was 20mn pieces in Q4. Not much of a decrease from an absolute point of view.
- Q1 is a seasonally strong quarter for the company and from that standpoint, inventory days have significantly come down.
- Average realisation increase is a function of category as well as product mix.
- LFS is a small contribution channel to the overall business and the reduction in outlets has not affected the business.
- ASP difference between the industry and Jockey has come down in recent years.
- The last price rise for the company was in July 2022. There are no plans to drop prices in the near future, as the company does not anticipate adverse reactions to the product at current pricing.
- There are currently no plans to introduce a sub-brand for Jockey. However, the company remains open to exploring opportunities if they arise.
- It is open to launching products at a lower price point without compromising on quality or consumer experience, especially if input cost reductions are favourable.
- It has strategically launched products in the athleisure category at tight price points to address value-seeking consumers.

- The base of the business is much higher in the metros and Tier 1 cities.
- Approximately 50% of the business originates from metros and Tier 1 cities while Tier 2 cities account for roughly 45%. The remaining business comes from Tier 3 and Tier 4 regions.
- Higher other expenses consist of marketing and IT expenses because of transformation expenses.
- The recent issues in Bangladesh have had a minimal impact on Page as the company maintains sufficient stock levels of affected products. The factory has resumed operations, and Page has established contingency plans to manage similar disruptions in the future.
- The company's accessories business, including socks, handkerchiefs, caps, and masks, constitutes a significant portion of overall revenue and is supported by a dedicated sales team. This segment contributes a high single-digit percentage to total sales.
- From a secondary and tertiary perspective check once, Channel inventory is higher in outerwear and lower in innerwear.
- The women's innerwear market is characterised by higher competition compared with the men's segment, with a larger number of established branded players.
- Have a dedicated sales vertical category in the women's innerwear space to combat competition from the past three years.
- Production capacity: 200mn pieces and 60mn pieces on the outsourcing front.

E-commerce

- E-commerce has performed better and then there is EBO and then the general trade channel.
- E-commerce contribution is about 7–8%. Quick commerce contribution is low and should be decent by year-end.
- Margins for e-commerce B2B are similar to offline businesses.
- Margins for D2C segments are slightly lower due to heavy marketing investments for customer acquisitions and higher delivery costs.

Guidance

- Typically marketing spends in the past have been at 4–5% and that trend would continue.
- EBITDA range should be at 18%–21% level.
- EBOs are classified in modern trade and the company plans to add 150–180 stores in this channel every year.
- The company had previously set a revenue target of USD1bn by FY26. Given the current market conditions, this goal is now deemed unrealistic. The company will reassess its targets and provide an updated outlook next quarter, likely extending the timeline for reaching the USD1 billion revenue milestone.

Exhibit 1: Performance summary (INR mn)

	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
<u>Key Financials</u>											
Sales	11,898	11,111	13,413	12,282	12,000	9,646	12,324	11,251	12,288	9,954	12,775
EBIDTA	2,507	2,671	2,978	2,379	1,928	1,343	2,419	2,335	2,297	1,672	2,433
EBIDTA Margin	21%	24%	22%	19%	16%	14%	20%	21%	19%	17%	19%
Adjusted PAT	1,746	1,905	2,070	1,621	1,237	784	1,584	1,503	1,524	1,082	1,652
PAT Margin	15%	17%	15%	13%	10%	8%	13%	13%	12%	11%	13%
<u>% YoY Growth</u>											
Sales	28	26	167	13	1	-13	-8	-8	2	3	4
EBIDTA	11	57	771	2	-23	-50	-19	-2	19	24	1
PAT	14	65	1,791	1	-29	-59	-24	-7	23	38	4
<u>% QoQ Growth</u>											
Sales	10	-7	21	-8	-2	-20	28	-9	9	-19	28
EBIDTA	7	7	11	-20	-19	-30	80	-3	-2	-27	46
PAT	9	9	9	-22	-24	-37	102	-5	1	-29	53
<u>Distribution</u>											
EBO	1,030	1,131	1,144	1,191	1,228	1,289	1,332	1,372	1,394	1,378	1,395
MBO	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	1,04,696
<u>Volumes (% YoY)</u>											
Volume (mn pcs)	60	50	63	57	53	43	56	52	55	45	57
ASP (INR)	199	223	213	216	227	227	221	217	223	220	223
Volumes (% YoY)	25	9	150	0	-12	-15	-12	-9	5	7	3

Source: Company, Nuvama Research

Outlook and valuation

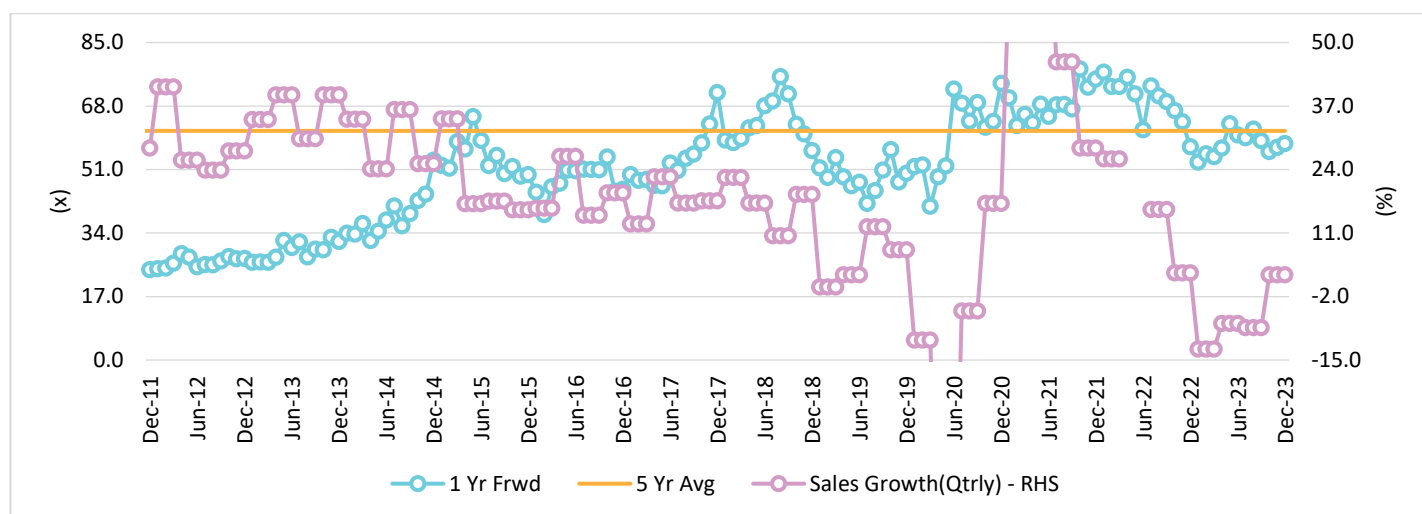
Page's valuation: A function of its growth

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 got 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.

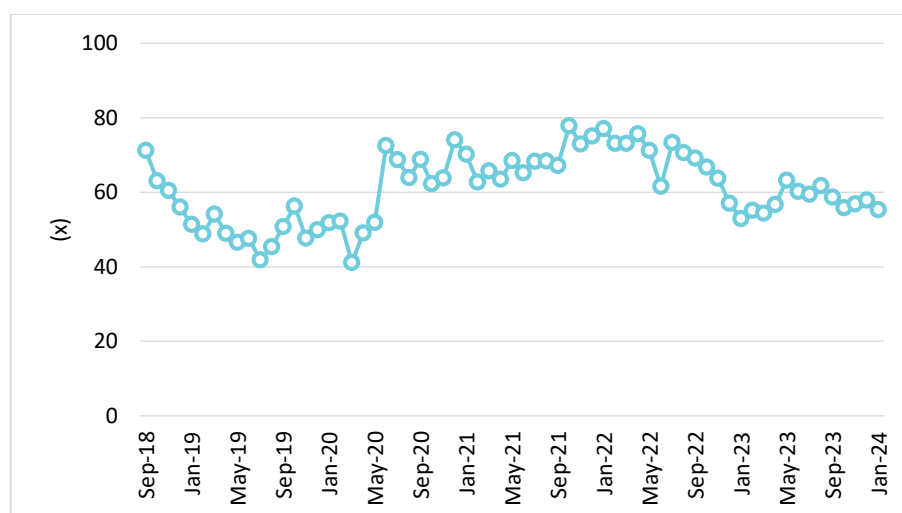
We believe Page's valuation has been a function of its growth outlook (refer to exhibit 2). Our target 48x PE factors in a 13% revenue CAGR (FY24–27E) that we build in versus 17% over FY15–19 (average PE 55x). This yields a revised TP of INR33,226 (INR34,029 earlier). Maintain '**REDUCE**'.

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

Q1FY27 EPS (INR)	692
Target PE (x)	48
Target Price (INR)	33,226
CMP (INR)	40,734
Upside (%)	-18%

Source: Company, Nuvama Research

Exhibit 5: Quarterly summary

Year to March	Q1FY25	Q1FY24	% YoY	Q4FY24	% QoQ	FY23	FY24	FY25E
Revenue	12,775	12,324	3.7	9,954	28.3	47,142	45,817	50,774
Raw material costs	5,858	5,762	1.7	4,363	34.3	20,852	20,846	22,848
Gross profit	6,918	6,562	5.4	5,590	23.7	26,290	24,971	27,926
Employee costs	2,013	2,087	(3.6)	1,935	4.0	8,848	8,036	9,000
Other expenses	2,472	2,056	20.2	1,983	24.6	8,829	8,212	9,500
Total operating expenses	4,484	4,143	8.2	3,918	14.4	17,677	16,248	18,501
EBITDA	2,433	2,419	0.6	1,672	45.5	8,612	8,723	9,425
Depreciation	221	210	5.2	226	(2.1)	781	908	926
EBIT	2,213	2,209	0.2	1,446	53.0	7,831	7,814	8,498
Less: Interest Expense	117	127	(8.2)	105	11.7	413	449	444
Add: Other income	129	19	581.6	109	18.8	163	200	272
Profit Before Tax	2,225	2,100	5.9	1,450	53.4	7,581	7,565	8,326
Less: Provision for Tax	572	517	10.8	368	55.4	1,869	1,873	2,052
Reported Profit	1,652	1,584	4.3	1,082	52.7	5,712	5,692	6,274
Adjusted Profit	1,652	1,584	4.3	1,082	52.7	5,712	5,692	6,274
NOSH	11	11		11		11	11	11
Adjusted EPS	148	142	4.3	97	52.7	512	510	562
P/E (x)						78	79	71
EV/EBITDA (x)						52	51	47
ROAE (%)						46	38	36
As % of revenues								
COGS	45.9	46.8		43.8		44.2	45.5	45.0
Gross profit	54.1	53.2		56.2		55.8	54.5	55.0
Employee costs	15.8	16.9		19.4		18.8	17.5	17.7
Other expenses	19.3	16.7		19.9		18.7	17.9	18.7
Total operating expenses	35.1	33.6		39.4		37.5	35.5	36.4
EBITDA	19.0	19.6		16.8		18.3	19.0	18.6
Net profit	12.9	12.8		10.9		12.1	12.4	12.4

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	
SBI MF	9.58	Mirae	1.99
Nalanda India F	6.86	HDFC Life	1.67
Blackrock	2.36	Franklin Resour	1.60
LIC	2.13	Vanguard group	1.57
Nippon Life	2.01	ICICI Pru	1.19

*Latest public data

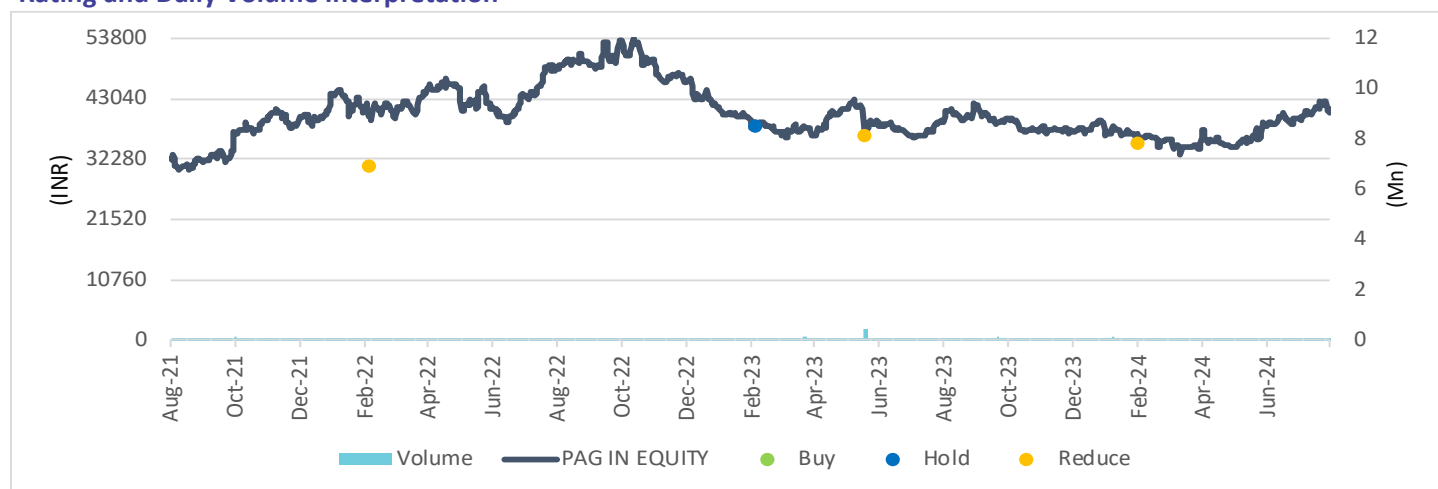
Recent Company Research

Date	Title	Price	Reco
23-May-24	A broad undershoot; recovery gradual; <i>Result Update</i>	35,581	Reduce
08-Feb-24	Normalising gradually; <i>Result Update</i>	36,719	Reduce
09-Nov-23	Await demand revival; key metric for us; <i>Result Update</i>	37,659	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
16-Aug-23	TCNS Clothing	Weak performance; <i>Result Update</i>
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>

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%	218
Hold	<15% and >-5%	61
Reduce	<-5%	25

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