

PAGE INDUSTRIES

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	45,798
12 month price target (INR)	43,456
52 Week High/Low	49,933/33,070
Market cap (INR bn/USD bn)	511/5.8
Free float (%)	51.7
Avg. daily value traded (INR mn)	1,688.8

SHAREHOLDING PATTERN

	Dec-24	Sep-24	Jun-24
Promoter	42.89%	44.29%	45.04%
FII	22.67%	20.84%	20.55%
DII	28.69%	28.76%	27.35%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

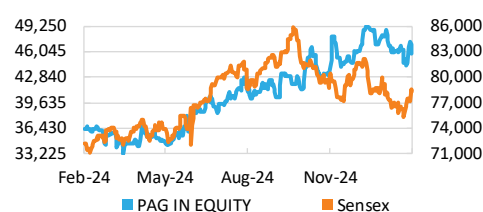
(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	45,817	49,027	54,969	62,212
EBITDA	8,723	10,530	11,015	12,520
Adjusted profit	5,692	7,206	7,661	8,813
Diluted EPS (INR)	510.3	646.0	686.9	790.1
EPS growth (%)	(0.4)	26.6	6.3	15.0
RoAE (%)	38.4	41.5	37.7	37.4
P/E (x)	89.7	70.9	66.7	58.0
EV/EBITDA (x)	58.2	47.7	45.4	39.7
Dividend yield (%)	0.7	0.9	0.9	1.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY25E	FY26E	FY25E	FY26E
Revenue	49,027	54,969	-2.0%	-4.4%
EBITDA	10,530	11,015	4.8%	5.5%
Adjusted profit	7,206	7,661	7.0%	3.6%
Diluted EPS (INR)	646.0	686.9	7.0%	3.6%

PRICE PERFORMANCE



Revenue growth stumbles again

Page's top-line growth slowed in Q3FY25 after double-digit growth last quarter, reflecting muted post-festive season consumer sentiment across retail. Cost optimisation efforts, however, led to a further EBITDA margin improvement despite softer revenue growth.

Key ask from the stock remains the double-digit top-line growth, which the stock used to report pre-Covid while this is the eighth straight quarter of slower growth excluding Q2FY25. We are tweaking revenue/PAT estimates for FY25 and FY26 by -2%/+7% and -4%/-4%, respectively. Rolling forward to 9mFY27, yields a revised TP of INR43,456 (INR42,803 earlier); maintain 'REDUCE'.

Revenue growth slips back to single digit; margins steal the show

Page reported 7% YoY revenue growth with absolute revenue at INR13.1bn and volume growth of 4.7% YoY. Realisations improved 2.3% YoY due to better product and category mix. Demand at the tertiary level is picking up with secondary sales outpacing primary sales. Page witnessed strong growth in the festive season during October, but November and December were subdued. E-commerce channel posted strong growth given the lower base.

Gross margin improved 330bp YoY due to stable raw material, labour prices and better manufacturing efficiencies. Page's overhead costs showed resilience, as employee expenses fell 20bp as a proportion of sales revenue and grew ~5.8% YoY in absolute terms. Employee cost reduction is not just a function of lower production, but also due to higher outsourcing and productivity. As a result, EBITDA margins improved both sequentially and YoY to 23%. Overall, EBITDA/PAT grew 31.7%/34% YoY. Page is now present in ~110,176 MBOs (FY24: ~106,696; FY23: ~120,000).

The company has maintained its margin guidance of 19–21% for Q4FY25 on increased IT and marketing spending.

Demand sentiments, which improved with the double-digit growth in Q2 are once again subdued with the slow growth in the current quarter. Improvement in demand sentiments is key to revival of growth.

Conference call key takeaways

Highlights: i) Stability in RM cost, sustained higher efficiency and controlled operating costs have contributed to strong EBITDA margins. ii) Realisation decline is due to the difference in category mix. iii) The company has not taken any price hike in the last three years.

Financials

Year to March	Q3FY25	Q3FY24	% Change	Q2FY25	% Change
Net Revenue	13,131	12,288	6.9	12,463	5.4
EBITDA	3,025	2,297	31.7	2,815	7.5
Adjusted Profit	2,047	1,524	34.3	1,953	4.8
Diluted EPS (INR)	183.5	136.6	34.3	175.1	4.8

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	45,817	49,027	54,969	62,212
Gross profit	24,971	27,455	30,508	34,528
Employee costs	8,036	8,840	9,459	10,499
Other expenses	8,212	8,085	10,035	11,508
EBITDA	8,723	10,530	11,015	12,520
Depreciation	908	990	1,084	1,186
Less: Interest expense	449	453	475	499
Add: Other income	200	475	711	860
Profit before tax	7,565	9,563	10,167	11,696
Prov for tax	1,873	2,357	2,506	2,883
Less: Other adj	0	0	0	0
Reported profit	5,692	7,206	7,661	8,813
Less: Excp.item (net)	0	0	0	0
Adjusted profit	5,692	7,206	7,661	8,813
Diluted shares o/s	11	11	11	11
Adjusted diluted EPS	510.3	646.0	686.9	790.1
DPS (INR)	310.0	392.5	417.3	480.0
Tax rate (%)	24.8	24.6	24.6	24.6

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
EBITDA margin (%)	19.0	21.5	20.0	20.1
Net profit margin (%)	12.4	14.7	13.9	14.2
Revenue growth (% YoY)	(2.8)	7.0	12.1	13.2
EBITDA growth (% YoY)	1.3	20.7	4.6	13.7
Adj. profit growth (%)	(0.4)	26.6	6.3	15.0

Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	6.9	6.0	6.2	6.2
Repo rate (%)	6.5	6.0	5.0	5.0
Gross Margin (%)	54.5	56.0	55.5	55.5
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	551.3

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	89.7	70.9	66.7	58.0
Price/BV (x)	32.0	27.2	23.4	20.2
EV/EBITDA (x)	58.2	47.7	45.4	39.7
Dividend yield (%)	0.7	0.9	0.9	1.0

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	18,686	21,693	25,153
Shareholders funds	15,969	18,798	21,805	25,264
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	2,200	3,883	4,403	4,983
Other liabs & prov	6,661	7,135	8,011	9,078
Total liabilities	26,733	32,046	36,797	42,271
Net block	3,161	3,161	3,150	3,130
Intangible assets	1,717	1,947	2,172	2,369
Capital WIP	2,387	1,505	1,505	1,505
Total fixed assets	7,265	6,613	6,827	7,003
Non current inv	0	0	0	0
Cash/cash equivalent	3,210	9,055	11,312	14,233
Sundry debtors	1,586	1,698	1,903	2,154
Loans & advances	2,720	3,122	3,433	3,804
Other assets	11,951	11,559	13,322	15,077
Total assets	26,733	32,046	36,797	42,271

Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	5,692	7,206	7,661	8,813
Add: Depreciation	908	990	1,084	1,186
Interest (net of tax)	338	341	358	376
Others	65	(364)	(594)	(737)
Less: Changes in WC	(3,802)	(2,039)	877	720
Operating cash flow	10,805	10,212	7,632	8,918
Less: Capex	946	(398)	525	551
Free cash flow	11,751	9,815	8,157	9,469

Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	38.4	41.5	37.7	37.4
RoCE (%)	49.8	57.6	52.4	51.8
Inventory days	242	195	181	183
Receivable days	12	12	12	12
Payable days	44	51	62	62
Working cap (% sales)	15.9	10.7	11.2	11.1
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	(0.5)	(0.5)	(0.6)
Interest coverage (x)	17.4	21.1	20.9	22.7

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	(0.4)	26.6	6.3	15.0
RoE (%)	38.4	41.5	37.7	37.4
EBITDA growth (%)	1.3	20.7	4.6	13.7
Payout ratio (%)	60.7	60.7	60.7	60.7

Q3FY25 conference call: Key takeaways

Q3FY25

- Momentum did not sustain post the festive season months, resulting in revenue growth of 7% in Q3FY25.
- Maintaining good health of inventory and unwavering focus on optimising operational expenses helped the company improve the margins
- Continue to expand consumer reach by expanding retail touch points, Strategic focus includes both, metropolitan as well as Tier 2 and Tier 3 cities for expansion
- Stability in RM cost, sustained higher efficiency and controlled operating costs have contributed to strong EBITDA margins
- All categories showing growth at different rates, premium portfolio is doing better
- Gap in performance across regions is not significant
- Realisation decline is due to the difference in category mix; Sales Incentives and discounts are very well within the planned limits
- No pricing increase in YTD FY25 and unlikely to happen in the next quarter as well.
- Usual increase in manpower cost that will come in next year, but do not expect major change in EBITDA margins
- Company has not seen any major impact from the competition on the ground
- Growth is higher in E-commerce, followed by modern trade and then General trade
- Tertiary growth is better at the modern trade level as well as general trade level when compared with primary. Going ahead primary will mimic secondary growth
- Retail and consumer demand remains subdued. November and December in the current quarter were subdued. October was good due to the festive season
- Growth rates in Tier 2, 3, and 4 cities are outpacing those in Tier 1 cities, partly due to inorganic expansion. The difference in growth rates is small, only a few percentage points.
- Inventory days for the Juniors, Socks, and Athleisure portfolios can be improved.
- There has been slight better growth in secondary as compared with primary sales.
- Organic growth is heavily dependent on consumer demand uptick, expansion plans being in inorganic growth category are on track as per company plans
- It has done better than the peers despite the muted demand scenario across the industry in the past 5-6 quarters
- Page frowns upon buying growth via aggressive discounting.
- Athleisure category is seeing revival; last year was bad for the category.

- Page's penetration in the Men's Innerwear market will be around 18-20% of the total addressable market and that is the highest revenue contributor for the company, which signifies higher growth opportunity available.
- Athleisure penetration for the company is 6% and it is a larger market and lot of players in the market, Women's Innerwear would be in the range of 6-8% which was around 5% few years back.

Inventory

- Total 93% of the overall business is on ARS and this number is also improving month on month.
- Furthermore, 84% of distributors who contribute 92-93% of business are now on ARS and they are seeing inventory levels improve on implementation
- Inventory holding at the partner level has come down.
- Inventory is down five days year-to-date, with 18 million pieces at the channel level. Innerwear inventory has reached its target level, while athleisure and junior categories have room for improvement.

Outlook

- EBITDA margin guidance for FY25 maintained in the 19-21% band.
- Elevated cost as far as IT expenses are concerned due to digitisation also higher other spends planned on Marketing which is why the margin will be maintained in 19-21% band
- Orissa plant outlay of INR2.54bn including infra, land, building, etc., and another INR0.6-0.7bn in machinery. This will get capitalized in FY25 end.
- Sewing capacity coming up near Mysore in Karnataka and Orissa plant
- 2000 sewing machines being deployed will meet the requirement for next 2-3 years. Orissa plant will be capable of working in two shifts.
- Currently, 65% of production is in-house, with the remaining 35% outsourced (with a tolerance of approximately 2-3%). Going forward, the strategy will be to produce two-thirds in-house and outsource the remaining one-third.
- Subsidies in power, water, local GST, wages is given by the Orissa government. Capex subsidy will also be there. Once the manufacturing starts will be eligible for incentives.
- Outlay is around INR0.3bn for the Mysore project and there is a slight delay in the project; should roll out in FY26.
- Large portion of investments in tech; it is revising its ERP system, which is a decade and a half old, revamping the entire distribution management system, which will replace the current distribution management system.

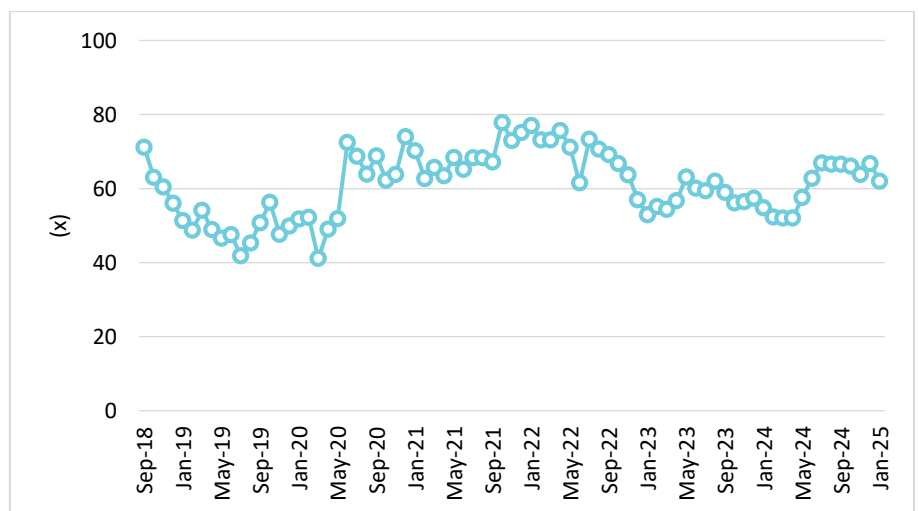
PAGE INDUSTRIES

Exhibit 1: Performance summary (INR mn)

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<u>Key Financials</u>											
Sales	13,413	12,282	12,000	9,646	12,324	11,251	12,288	9,954	12,775	12,463	13,131
EBIDTA	2,978	2,379	1,928	1,343	2,419	2,335	2,297	1,672	2,433	2,815	3,025
EBIDTA Margin	22%	19%	16%	14%	20%	21%	19%	17%	19%	23%	23%
Adjusted PAT	2,070	1,621	1,237	784	1,584	1,503	1,524	1,082	1,652	1,953	2,047
PAT Margin	15%	13%	10%	8%	13%	13%	12%	11%	13%	16%	16%
<u>% YoY Growth</u>											
Sales	167	13	1	-13	-8	-8	2	3	4	11	7
EBIDTA	771	2	-23	-50	-19	-2	19	24	1	21	32
PAT	1,791	1	-29	-59	-24	-7	23	38	4	30	34
<u>% QoQ Growth</u>											
Sales	21	-8	-2	-20	28	-9	9	-19	28	-2	5
EBIDTA	11	-20	-19	-30	80	-3	-2	-27	46	16	7
PAT	9	-22	-24	-37	102	-5	1	-29	53	18	5
<u>Distribution</u>											
EBO	1,144	1,191	1,228	1,289	1,332	1,372	1,394	1,378	1,395	1,387	1,436
MBO	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	1,07,702	1,10,176
<u>Volumes (% YoY)</u>											
Volume (mn pcs)	63	57	53	43	56	52	55	45	57	55	58
ASP (INR)	213	216	227	227	221	217	223	220	223	226	227
Volumes (% YoY)	150	0	-12	-15	-12	-9	5	7	3	7	5

Source: Company, Nuvama Research

Exhibit 2: One-year forward P/E



Source: Bloomberg, Nuvama Research

Exhibit 3: Valuation summary

9MFY27 EPS (INR)	790
Target PE (x)	55
Target Price (INR)	43,456
CMP (INR)	45,798
Upside (%)	-5.1%

Source: Company, Nuvama Research

Exhibit 4: Quarterly summary

Year to March	Q3FY25	Q3FY24	% YoY	Q2FY25	% QoQ	FY24	FY25E	FY26E
Revenue	13,131	12,288	6.9	12,463	5.4	45,817	49,027	54,969
Raw material costs	5,732	5,765	(0.6)	5,423	5.7	20,846	21,572	24,461
Gross profit	7,399	6,522	13.4	7,040	5.1	24,971	27,455	30,508
Employee costs	2,062	1,949	5.8	2,053	0.5	8,036	8,840	9,459
Other expenses	2,311	2,276	1.5	2,173	6.4	8,212	8,085	10,035
Total operating expenses	4,374	4,226	3.5	4,225	3.5	16,248	16,925	19,493
EBITDA	3,025	2,297	31.7	2,815	7.5	8,723	10,530	11,015
Depreciation	297	226	31.2	226	31.1	908	990	1,084
EBIT	2,729	2,070	31.8	2,588	5.4	7,814	9,540	9,931
Less: Interest Expense	119	105	13.7	109	9.3	449	453	475
Add: Other income	140	55	153.4	146	(3.5)	200	475	711
Profit Before Tax	2,750	2,021	36.1	2,625	4.8	7,565	9,563	10,167
Less: Provision for Tax	703	497	41.4	672	4.6	1,873	2,357	2,506
Reported Profit	2,047	1,524	34.3	1,953	4.8	5,692	7,206	7,661
Adjusted Profit	2,047	1,524	34.3	1,953	4.8	5,692	7,206	7,661
NOSH	11	11		11		11	11	11
Adjusted EPS	183	137	34.3	175	4.8	510	646	687
P/E (x)						67	71	67
EV/EBITDA (x)						44	48	45
ROAE (%)						38	41	38
As % of revenues								
COGS	43.7	46.9		43.5		45.5	44.0	44.5
Gross profit	56.3	53.1		56.5		54.5	56.0	55.5
Employee costs	15.7	15.9		16.5		17.5	18.0	17.2
Other expenses	17.6	18.5		17.4		17.9	16.5	18.3
Total operating expenses	33.3	34.4		33.9		35.5	34.5	35.5
EBITDA	23.0	18.7		22.6		19.0	21.5	20.0
Net profit	15.6	12.4		15.7		12.4	14.7	13.9

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	9.70	ICICI Pru AMC	1.90
Nalanda India Fund	5.60	LIC	1.88
Vanguard group	2.24	HDFC Life Insurance	1.23
Blackrock	2.22	ICICI Pru Life	1.18
Nippon Life AMC	1.91	Franklin resource	1.06

*Latest public data

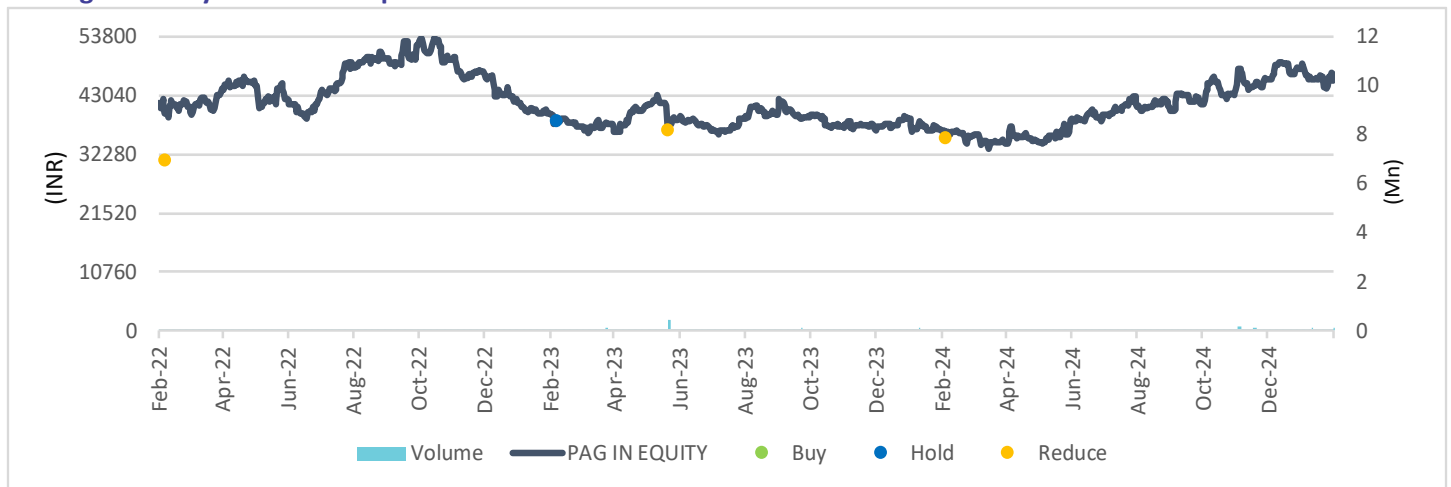
Recent Company Research

Date	Title	Price	Reco
08-Nov-24	Growth picks up; worst behind; <i>Result Update</i>	45064	Reduce
08-Aug-24	Muted growth despite soft base; <i>Result Update</i>	40734	Reduce
23-May-24	A broad undershoot; recovery gradual; <i>Result Update</i>	35581	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%	226
Hold	<15% and >-5%	63
Reduce	<-5%	28

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