

Growth decelerates further in Q4

Page Industries reported one of its weakest performances, with results coming in below our estimates across all parameters. The revenue trajectory decelerated with Page reporting one of its lowest ever sales growth of -0.1% YoY to ₹ 607.9 crore. Volumes for Q4FY19 remained constant YoY at 36.9 million pieces while realisations de-grew 1% YoY to ₹ 161/piece. The management attributed the slowdown to subdued consumer demand and de-stocking of inventory by retailers post GST transition. On account of negative operating leverage, EBITDA margins declined sharply by 440 bps YoY to 19.7% (Q3FY19: 22.4%). Following the weak operational performance, PAT declined 20.4% YoY to ₹ 75.0 crore.

Competition, lower offtake by retailers impact sales growth

FY19 was a challenging year for Page, with revenue growth tapering to 11.8% YoY (lowest ever sales growth) to ₹ 2852 crore. As per the management, overall slowdown in the consumer demand and de-stocking by retailers (20-40% across certain regions) were major factors that led to deceleration of revenue trajectory. Furthermore, increasing competitive intensity in the premium category might also weighed on growth. The management highlighted that currently it has ~19-20% market share in men's premium innerwear segment, suggesting immense opportunity to scale up its growth. Despite the challenging scenario, the management remains upbeat on its long term growth outlook of 20% (~10% volume growth), with EBITDA margins expected to be range bound at 21-22%.

Focus on EBO expansion, kids segment to revive growth

Page has added ~150 stores in FY19 taking the total store count to 620 exclusive branded outlets (EBOs). The management has affirmed its aggressive store expansion plans wherein it expects to take the total store count to 1000 stores over the next two years. The company is enhancing its focus on kidswear through its brand Jockey Junior, which would entail investments in sales and marketing to build an independent sales network.

Valuation & Outlook

Working capital cycle witnessed certain deterioration owing to a spike in inventory days (up by ~15 days to 96 days). Despite decline in operating cashflows, return ratios improved significantly, owing to high dividend pay-out in FY19 (₹ 344/share ~98% dividend pay-out ratio). The management highlighted that liquidity headwinds continued to impact the demand from retailers in Q1FY20. Factoring in the weak performance of FY19, we revise our earnings estimate downwards by ~16% for FY20E. We introduce FY21 estimates and build in revenues and PAT CAGR of 12% and 15%, respectively, in FY19-21E. Deceleration in revenue growth is a concern and makes us accord a lower target multiple. We reiterate our **HOLD** rating on the stock, with a revised target price of ₹ 19000 (41.0x FY21E EPS).



Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	21,973.1
Debt (FY19) (₹ Crore)	72.5
Cash (FY19) (₹ Crore)	44.0
EV (₹ Crore)	22,001.6
52 week H/L	36335 / 19011
Equity Capital (₹ Crore)	11.2
Face Value (₹)	10.0

Key Highlights

- The company reported its lowest ever sales growth of -0.1% YoY in Q4FY19 owing to subdued consumer sentiment and de-stocking of inventory by retailers post GST transition
- The company plans to focus on EBO expansion and kids segment to revive revenue growth. The management has set an optimistic revenue growth target of 20% in FY20
- Maintain **HOLD** with target price of ₹ 19000

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Key Financial Summary

₹ crore	FY18	FY19E	FY20E	FY21E	CAGR (FY19-21E)
Net Sales	2,551.4	2,852.2	3,167.8	3,592.3	12.2%
EBITDA	540.7	616.9	678.8	787.2	13.0%
PAT	347.0	393.9	431.3	517.4	14.6%
P/E (x)	63.3	55.8	50.9	42.5	
EV/Sales (x)	8.6	7.7	6.9	6.1	
EV/EBITDA (x)	40.6	35.7	32.3	27.8	
RoCE (%)	57.2	69.1	64.8	62.7	
RoE (%)	41.0	50.8	45.6	45.0	

Exhibit 1: Variance Analysis

	Q4FY19	Q4FY19E	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	Comments
Revenue	607.9	694.4	608.4	-0.1	738.3	-17.7	Volumes remained constant at 36.9 million pieces, realisation de-grew 1% YoY to ₹ 161/piece
Other income	8.7	9.1	7.3	20.1	9.5	39.7	
Employee Expense	124.4	119.4	98.6	26.2	116.8	6.5	
Raw Material Expense	221.3	274.6	227.5	-2.7	316.9	-30.2	Gross margins improved 100 bps YoY to 63.6%
SG&A Expenses	142.5	144.4	135.5	5.2	139.5	2.2	
EBITDA	119.7	155.9	146.8	-18.5	165.3	-27.6	
EBITDA Margin (%)	19.7	22.5	24.1	-444 bps	22.4	-269 bps	Negative operating leverage and high base of Q4FY18 (GST credit) led to 444 bps EBITDA margin contraction
Depreciation	8.0	8.2	7.6	5.9	8.2	-1.9	
Interest	4.1	4.0	4.4	-7.5	4.1	0.6	
PBT	116.3	152.7	142.1	-18.2	162.5	-28.4	
Tax Outgo	41.3	51.9	47.9	-13.7	60.6	-31.9	
PAT	75.0	100.8	94.2	-20.4	101.9	-26.4	Following the weak operational performance, PAT declined by 20% YoY

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY19E	FY20E			FY21E
(₹ Crore)	Actual	Old	New	% Change	Introduced
Revenue	2,852.2	3,479.0	3,167.8	-8.9	3,592.3
EBITDA	616.9	787.8	678.8	-13.8	787.2
EBITDA margin (%)	21.6	22.6	21.4	-122 bps	21.9
PAT	393.9	515.8	431.3	-16.4	517.4
EPS (₹)	353.2	462.4	386.7	-16.4	463.8

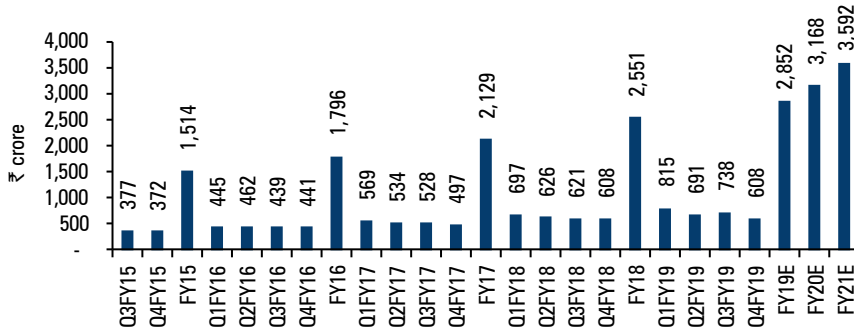
Source: Company, ICICI Direct Research

Conference call highlights

- The management attributed the flat growth in Q4FY19 to general slowdown in consumption and de-stocking of inventory by the retailers post GST transition
- In spite of the subdued performance in Q4FY19, the management remained upbeat on the FY20 outlook. For FY20, the management has guided at revenue growth of 20% to be driven by 10% volume growth, ~5% realisation growth and ~5% through product portfolio premiumisation
- On the capacity expansion front, the company is looking to double its capacity from 260 million pieces to 520 million pieces through greenfield expansion projects in Anantpur (Andhra Pradesh) and Mysore (Karnataka)
- The company has done a capex of ~₹ 47 crore in FY19 and is planning a ₹ 40-50 crore capex for FY20
- The company sold 17.4 crore pieces of garments during FY20. Offline revenue contributed 96% while online revenues were at 4% of total revenues
- Exclusive business outlets (EBO) contribute ~16% to total revenues. The company currently has ~620 EBOs and is looking to expand aggressively through this channel
- Kidswear would be the focus area, going ahead. The company has set up a separate team for the segment. The company had launched 'Jockey Junior' last year. In FY19, it launched the girl's kidswear and also kids athleisure products
- On the product pricing front, the company plans to take a price hike of ~5% in Q3FY20. The pricing decision depends on the input cost. The company guided to maintain an EBITDA margin of ~21-22% for FY20
- Speedo revenue growth has been negligible while the company aims to improve the same in FY20
- On the long term outlook, Page remains bullish. As per the management, the target consumer size is ~130 million while the company has a market share of ~20% in premium menswear with 5% market share in the premium women's innerwear and ~ 8% in the athleisure segment

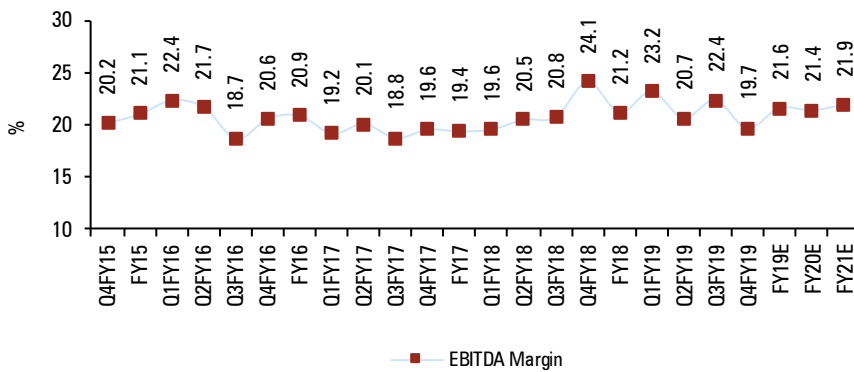
Financial story in charts

Exhibit 3: Revenue trend



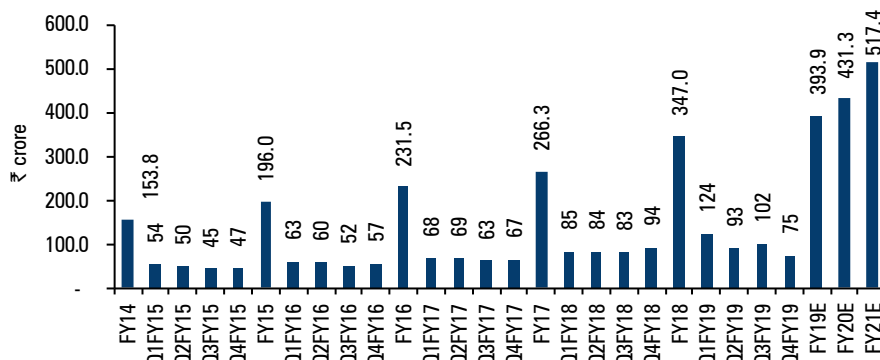
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 5: Net profit trend



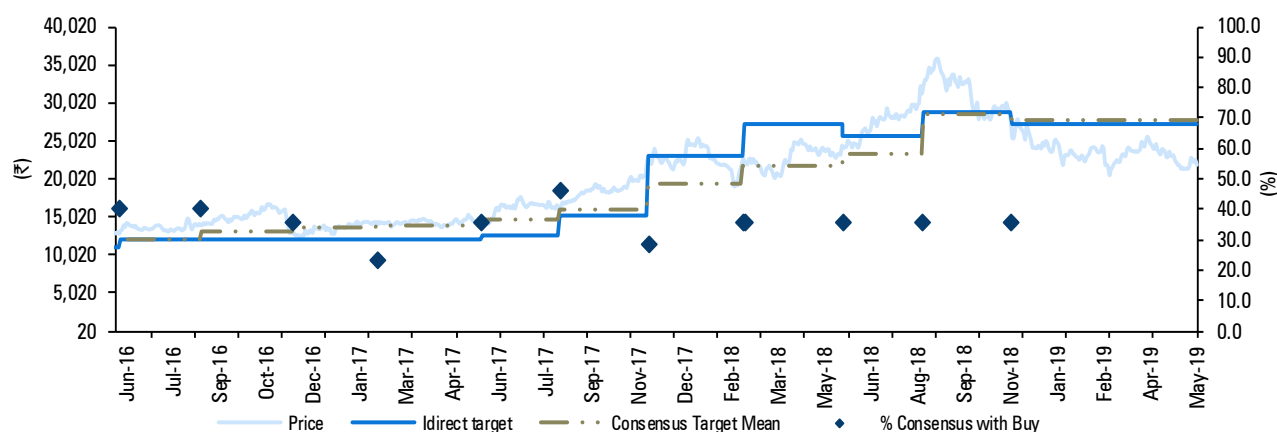
Source: Company, ICICI Direct Research

Exhibit 6: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	2128.5	18.5	238.7	15.0	82.5	53.3	40.0	51.6
FY18	2551.4	19.9	311.1	30.3	63.3	40.6	41.0	57.2
FY19E	2852.2	11.8	353.2	13.5	55.8	35.7	50.8	69.1
FY20E	3167.8	11.1	386.7	9.5	50.9	32.3	45.6	64.8
FY21E	3592.3	13.4	463.8	19.9	42.5	27.8	45.0	62.7

Source: Company, ICICI Direct Research

Exhibit 7: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 8: Top 10 Shareholders

Rank	Investor Name	Last Filing Date	% O/S	Position (m)	Change (m)
1	Genomal (Nari)	31-Mar-19	16.1%	1.8	0.0
2	Genomal (Ramesh)	31-Mar-19	16.1%	1.8	0.0
3	Genomal (Sunder)	31-Mar-19	16.1%	1.8	0.0
4	Nalanda Capital Pte Ltd	31-Mar-19	7.6%	0.8	-0.2
5	IIFL Inc	31-Mar-19	5.2%	0.6	0.0
6	Cartica Capital, Ltd.	31-Mar-19	5.0%	0.6	0.0
7	Axis Asset Management Company Limited	31-Dec-17	2.4%	0.3	0.0
8	The Vanguard Group, Inc.	30-Apr-19	1.6%	0.2	0.0
9	BlackRock Institutional Trust Company, N.A.	30-Apr-19	1.5%	0.2	0.0
10	UTI Asset Management Co. Ltd.	30-Apr-19	0.9%	0.1	0.0

Source: Reuters, ICICI Direct Research

Exhibit 9: Recent Activity

Buys			Sells		
Investor Name	Value	Shares	Investor Name	Value	Shares
IIFL Inc	15.8	0.0	Nalanda Capital Pte Ltd	-68.8	-0.2
Reliance Nippon Life Asset Management Limited	12.8	0.0	Capital Research Global Investors	-15.3	0.0
Motilal Oswal Asset Management Company Ltd.	4.2	0.0	Cartica Capital, Ltd.	-11.9	0.0
Union Investment Luxembourg S.A.	2.3	0.0	FIL Investment Management (Singapore) Ltd.	-9.0	0.0
Norges Bank Investment Management (NBIM)	2.2	0.0	Matthews International Capital Management, L.L.C.	-7.1	0.0

Source: Reuters, ICICI Direct Research

Exhibit 10: Shareholding Pattern

(in %)	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Promoter	49.0	49.0	48.3	48.3	48.3
FII	36.7	35.6	37.8	38.4	37.0
DII	5.4	5.9	4.5	3.0	3.2
Others	8.9	9.5	9.4	10.3	11.6

Source: Company, ICICI Direct Research

Financial summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E
Total operating Income	2,551.4	2,852.2	3,167.8	3,592.3
Growth (%)	19.9	11.8	11.1	13.4
Raw Material Expenses	1,087.3	1,196.7	1,318.9	1,468.1
Employee Expenses	406.5	467.5	517.6	586.3
Other Expenses	516.8	571.1	652.6	750.8
Total Operating Expenditure	2,010.7	2,235.3	2,489.1	2,805.2
EBITDA	540.7	616.9	678.8	787.2
Growth (%)	30.9	14.1	10.0	16.0
Depreciation	28.0	31.1	37.1	41.2
EBIT	512.7	585.9	641.7	746.0
Growth (%)	32.0	14.3	9.5	16.3
Interest	16.6	16.3	15.0	14.0
Other Income	21.5	36.4	26.9	34.5
PBT	517.6	606.0	653.5	766.5
Growth (%)	31.1	17.1	7.8	17.3
Total Tax	170.5	212.1	222.2	249.1
PAT	347.0	393.9	431.3	517.4
Growth (%)	30.3	13.5	9.5	19.9
EPS (₹)	311.1	353.2	386.7	463.8

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E
Profit after tax	347.0	393.9	431.3	517.4
Add: Depreciation	28.0	31.1	37.1	41.2
(Inc)/dec in Current Assets	(12.4)	(190.7)	(51.7)	(84.5)
Inc/(dec) in CL and Provisions	116.3	(10.2)	25.8	19.9
Others	-	-	-	-
CF from operating activities	478.9	224.1	442.5	493.9
(Inc)/dec in Investments	(165.9)	218.0	(50.0)	(115.0)
(Inc)/dec in Fixed Assets	(29.8)	(93.7)	(48.0)	(48.0)
(Inc)/dec in CWIP	(34.4)	51.3	2.2	-
Others	(0.2)	23.0	(2.6)	1.7
CF from investing activities	(230.3)	198.5	(98.4)	(161.3)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(38.1)	23.0	(26.9)	(5.6)
Others	(164.1)	(468.5)	(260.3)	(312.3)
CF from financing activities	(202.2)	(445.6)	(287.2)	(317.9)
Net Cash flow	46.4	(22.9)	56.9	14.8
Opening Cash	20.5	66.9	44.0	100.9
Closing Cash	66.9	44.0	100.9	115.7

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet				
	₹ crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E
Liabilities				
Equity Capital	11.2	11.2	11.2	11.2
Reserve and Surplus	836.2	763.8	934.2	1,138.6
Total Shareholders funds	847.3	775.0	945.4	1,149.7
Total Debt	49.6	72.5	45.6	40.0
Deferred Tax Liability	11.0	12.5	12.5	12.5
Other long term liabilities	13.1	9.3	10.0	10.7
Total Liabilities	921.0	869.4	1,013.5	1,213.0
Assets				
Gross Block	292.2	388.4	436.4	484.4
Less: Acc Depreciation	62.2	93.2	130.3	171.5
Net Block	230.1	295.1	306.0	312.9
Capital WIP	58.5	7.2	5.0	5.0
Intangible Assets	7.9	5.5	5.5	5.5
Total Fixed Assets	296.5	307.9	316.5	323.4
Investments	218.0	-	50.0	165.0
Inventory	567.9	750.1	781.1	846.4
Debtors	148.0	123.8	138.9	157.5
Loans and Advances	2.1	-	5.7	6.3
Cash	66.9	44.0	100.9	115.7
Total Current Assets	837.0	1,004.8	1,113.4	1,212.7
Sundry Creditors	136.3	122.1	147.5	167.3
Current Liabilities	327.5	343.2	343.2	343.2
Provisions	27.6	15.9	16.2	16.4
Total Current Liabilities	491.4	481.2	507.0	527.0
Net Current Assets	345.6	523.6	606.4	685.8
Other Non-current Assets	60.9	37.9	40.5	38.8
Application of Funds	921.0	869.4	1,013.5	1,213.0

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Per share data (₹)				
EPS	311.1	353.2	386.7	463.8
Cash EPS	336.2	381.0	420.0	500.8
BV	759.7	694.8	847.6	1,030.8
DPS	121.0	343.9	193.4	231.9
Cash Per Share	60.0	39.5	90.5	103.7
Operating Ratios				
EBITDA Margin (%)	21.2	21.6	21.4	21.9
PBT Margin (%)	20.3	21.2	20.6	21.3
PAT Margin (%)	13.6	13.8	13.6	14.4
Inventory days	81.2	96.0	90.0	86.0
Debtor days	21.2	15.8	16.0	16.0
Creditor days	19.5	15.6	17.0	17.0
Return Ratios (%)				
RoE	41.0	50.8	45.6	45.0
RoCE	57.2	69.1	64.8	62.7
Valuation Ratios (x)				
P/E	63.3	55.8	50.9	42.5
EV / EBITDA	41	36	32	28
EV / Net Sales	8.6	7.7	6.9	6.1
Market Cap / Sales	8.6	7.7	6.9	6.1
Price to Book Value	15.4	16.9	13.8	11.4
Solvency Ratios				
Debt/EBITDA	0.1	0.1	0.1	0.1
Debt / Equity	0.1	0.1	0.0	0.0
Current Ratio	1.7	2.1	2.2	2.3
Quick Ratio	0.5	0.5	0.7	0.7

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (Textiles)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)			FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Kewal Kiran Cloth.	1,300	1,500	Buy	1,602	59.4	65.2	70.8	21.9	20.0	18.4	13.8	12.5	11.3	20.6	19.9	20.6	18.3	18.7	19.0
Page Industries (PAGIND)	19,700	19,000	Hold	21,973	311.1	353.2	386.7	63.3	55.8	50.9	8.6	7.7	6.9	57.2	69.1	64.8	41.0	50.8	45.6
Rupa & Co	280	340	Hold	2,230	10.8	12.5	14.2	25.9	22.5	19.7	17.1	15.1	13.2	22.7	23.1	24.4	17.3	17.9	18.4
Vardhman Textiles	1,100	1,230	Hold	6,266	95.3	129.4	130.0	11.5	8.5	8.5	9.5	6.8	6.1	9.5	12.9	12.4	10.9	13.1	12.0

Source: Reuters, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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