

Accumulate

View: Healthy performance. Upgrade to Accumulate

- Page Industries' results were ahead of our estimates. The company reported 13.6% volume de-growth, primarily due to supply constraints during July.
- On MoM basis, sales improved gradually. The company achieved sales normalization in August and witnessed strong growth in September.
- Despite GM contraction, better operating efficiency and lower A&P spends helped EBITDA margins to expand by 310bps.
- Secondary demand was ahead of primary throughout the quarter, signifying steady increase in sales growth.
- Going ahead, we believe that the company's focus to increase penetration, especially in the women and kid's categories would help drive growth.
- We have upward revised our EPS estimates for FY21E and FY22E at Rs 240 and Rs 388 respectively to factor in improvement in sales and expansion in margins. We have also introduced FY23E EPS estimate at Rs 463. We believe that the innerwear industry would witness pent up demand. Upgrade to Accumulate with TP of Rs 24,082 (52x FY22E EPS).

Results ahead of estimates, improvement in margins

Net Sales declined 4.5% YoY to Rs 7.4bn in Q2FY21. GM contracted by 60bps to 55.5%. In addition, employee expenses increased 20bps. Nevertheless, 390bps reduction in other expense helped expand EBITDA margin by 310bps to 22.3%. The company was able to post 22%+ EBITDA margin first time after 4 quarters. EBITDA increased 10.9% to 1.7bn, surpassed our estimate. APAT declined by 3.2% to Rs 1.1bn – came ahead of our estimate. Decline in APAT was primarily due to low tax expense in base quarter.

Continuous improvement in sales

Page witnessed supply constraints in July, resulted in decline in volumes. Nevertheless, sales improved continuously and reached close to last year level during August'20. In the long run, we believe that the premium category and especially Page would report better growth due to high brand loyalty and better supply chain. Kids, women and athleisure segments would be key growth drivers for the company in long run.

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	7,403	7,754	(4.5)	2,848	159.9
Total Expense	5,749	6,264	(8.2)	3,195	79.9
EBITDA	1,654	1,490	10.9	(347)	(576.4)
Depreciation	157	147	6.8	160	(2.4)
EBIT	1,497	1,344	11.4	(508)	(394.9)
Other Income	37	57	(35.4)	61	(38.6)
Interest	75	81	(6.9)	77	(2.1)
EBT	1,459	1,321	10.5	(524)	(378.6)
Tax	350	175	99.7	(128)	(373.2)
RPAT	1,109	1,145	(3.2)	(396)	(380.3)
APAT	1,109	1,145	(3.2)	(396)	(380.3)
			(bps)		(bps)
Gross Margin (%)	55.5	56.0	(56)	48.1	736
EBITDA Margin (%)	22.3	19.2	311	(12.2)	3452
NPM (%)	15.0	14.8	21	(13.9)	2886
Tax Rate (%)	24.0	13.3	1073	24.5	(47)
EBIT Margin (%)	20.2	17.3	289	(17.8)	3804

CMP	Rs 22,195
Target / Upside	Rs 24,082 / 9%
NIFTY	12,691

Scrip Details

Equity / FV	Rs 112mn / Rs 10
Market Cap	Rs 247bn
	USD 3bn
52-week High/Low	Rs 26,883/ 16,254
Avg. Volume (no)	62,801
Bloom Code	PAG IN

Price Performance	1M	3M	12M
Absolute (%)	6	17	(7)
Rel to NIFTY (%)	(1)	4	(15)

Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	48.3	48.3	48.3
MF/Banks/FIs	13.3	18.2	18.2
FIIIs	29.2	25.2	25.2
Public / Others	9.3	8.3	8.3

Valuation (x)

	FY21E	FY22E	FY23E
P/E	92.4	57.3	47.9
EV/EBITDA	56.8	37.7	31.9
ROE (%)	30.1	40.1	38.8
RoACE (%)	28.5	37.5	36.8

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	25,065	32,922	37,299
EBITDA	4,331	6,537	7,668
PAT	2,678	4,322	5,165
EPS (Rs.)	240.2	387.6	463.3

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Exhibit 1: Q2FY21 Actual V/s Estimates Variance

Rs mn	Actual	Estimates	Variance (%)	Comments
Revenue	7,403	5,686	30.2	Recovery in Aug and Sep was higher than our estimate
EBITDA	1,654	752	119.9	
EBITDA margin %	22.3	13.2	910	RM and employee costs was lower than our estimate
APAT	1,109	548	102.2	Cascading effect of higher EBITDA

Source: Company, DART

Exhibit 2: Change in estimate

Rs Mn	FY21E			FY22E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	25,065	23,823	5.2	32,922	32,898	0.1
EBITDA	4,331	2,441	77.4	6,537	6,303	3.7
EBITDA Margin (%)	17.3	10.2	700bps	19.9	19.2	70bps
PAT	2,678	1,262	112.1	4,322	4,133	4.6
EPS (Rs)	240.1	113.2	112.1	387.5	370.5	4.6

Source: Company, DART

We have upward revised our revenue estimates for FY21E and FY22E to factor in faster recovery in demand compared to our earlier estimate. Further, we have revised our margin estimates upward to factor in better than expected margins in Q2. Decline in GM was significantly lower compared to our expectation. In line with the revision in EBITDA, we have revised our APAT estimates.

Exhibit 3: Half yearly performance

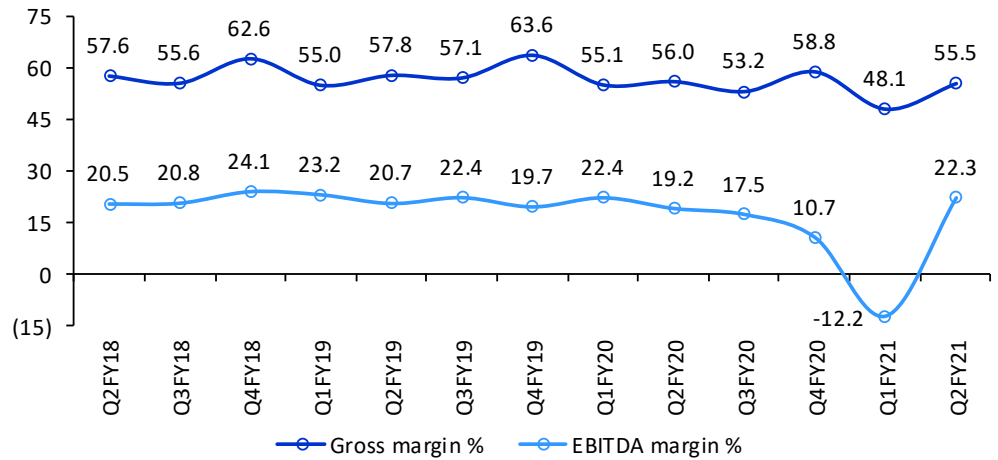
Particulars (Rs.mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
Net Sales	7,403	7,754	(4.5)	2,848	159.9	10,251	16,104	-36.3
Expenditure	5,749	6,264	(8.2)	3,195	79.9	8,945	12,747	-29.8
Raw Materials	3,297	3,410	(3.3)	1,478	123.1	4,775	7,162	-33.3
Employee Cost	1,299	1,343	(3.3)	1,229	5.7	2,528	2,627	-3.8
Other Expenditure	1,153	1,511	(23.7)	488	136.2	1,641	2,957	-44.5
Operating Profit	1,654	1,490	10.9	(347)	(576.4)	1,307	3,357	-61.1
Other Income	37	57	(35.4)	61	(38.6)	98	112	-13.2
Interest	75	81	(6.9)	77	(2.1)	152	163	-7.1
Depreciation	157	147	6.8	160	(2.4)	317	286	10.7
PBT	1,459	1,321	10.5	(524)	NM	935	3,019	-69.0
Tax	350	175	99.7	(128)	NM	222	767	-71.1
Net Profit	1,109	1,145	(3.2)	(396)	NM	713	2,252	-68.3
			bps		bps			bps
Gross Margin (%)	55.5	56.0	(60)	48.1	740	53.4	55.5	(210)
Employee Cost (%)	17.5	17.3	20	43.1	(2,560)	24.7	16.3	830
Other Exp (%)	15.6	19.5	(390)	17.1	(160)	16.0	18.4	(240)
OPM (%)	22.3	19.2	310	(12.2)	NM	12.7	20.8	(810)
NPM (%)	15.0	14.8	20	(13.9)	NM	7.0	14.0	(700)

Source: Company, DART

Concall takeaways

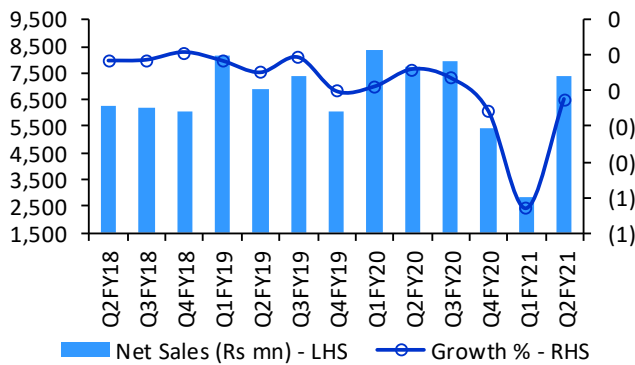
- The management expects complete recovery by Q4FY21E.
- The company continued to add channel partners across MBO's and EBO's during lockdown.
- Volume declined 13.6% YoY in Q2 mainly due to constraints and low volumes in July. Since August, business witnessed recovery with sales reaching last year levels. September saw double digit growth and demand in Q3 is better ahead of festive season.
- Management aspiration for USD 1bn topline in next five years remains intact.
- No significant price increase taken in Q2FY21.
- In Q2, difference in volume and value growth was due to mix change. Athleisure continues to witness good traction, grew double digit in Q2FY21.
- More than 94% of MBO's are fully functional (63,000+ outlets), 100% EBO's (i.e. 814 outlets) and 92% of LFS (2126 stores) have reopened.
- Management targets 5-10% YoY growth in MBO each year. It plans to reach more MBO's in Q3 and Q4FY21E.
- Page received encouraging response in Juniors business. Out of 60 EBO's opened in Q2FY21, 10 were Jockey Juniors EBO's. It touched 8000 stores in Kids business.
- Secondary sales and tertiary sales were buoyant Aug'20 onwards.
- E-com channel is showing promising growth. Sales in E-com is likely to be 2-2.5x.
- Going ahead, EBITDA margin is likely to get impacted due to A&SP and digital spends.
- The management believes there is huge headroom for growth in women's business. Reach in women's segment is ~45% of total stores.
- With regards to allegations of human rights abuse, there will be independent audit of facility and reassessment in facilities in mid-2021. Page has welcomed the opportunity to correct the record, the management is hopeful of positive outcome.
- The company is going ahead with Orissa facility first and later Anantapur. No specific capex planned this year. Company will spend Rs 730mn in FY21E, only Rs 80mn incurred in H1. Going ahead, the capex for capacity expansion is estimated to be above Rs 2bn including capacity expansion and digital transformation.
- Company did not borrow additional funds to meet working capital requirements. Liquidity remains strong with cash and cash equivalents increasing 132% QoQ and 488% YoY to ` 4,013 mn.
- Rupa (+5.4%), Dollar (+6.2%) and Lux (+9.0%) reported better revenue growth compared to Page. We believe that higher contribution of EBO's and higher share of urban market must have hampered revenue performance of Page.

Exhibit 4: Quarterly trend in operating performance



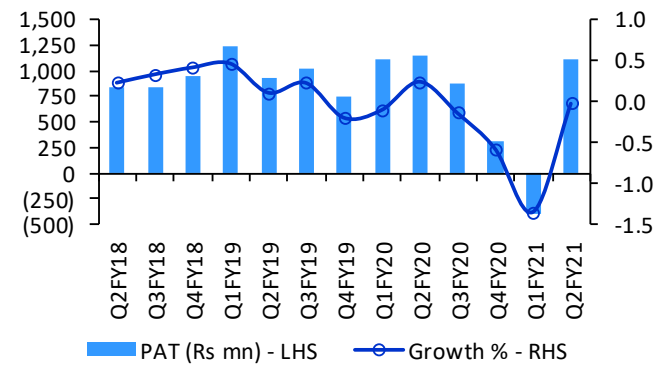
Source: DART, Company

Exhibit 5: Trend in Net Sales (YoY)



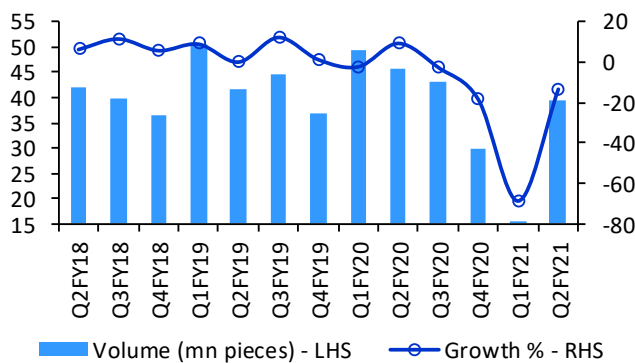
Source: DART, Company

Exhibit 6: Trend in PAT Growth (YoY)



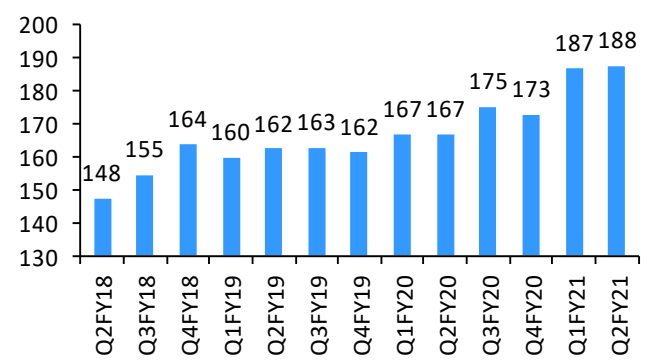
Source: DART, Company

Exhibit 7: Trend in Volume Growth



Source: DART, Company

Exhibit 8: Trend in Blended Realization (Rs/piece)



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	29,454	25,065	32,922	37,299
Total Expense	24,128	20,734	26,385	29,632
COGS	14,609	12,266	16,155	18,141
Employees Cost	5,317	5,317	5,583	6,364
Other expenses	4,203	3,151	4,647	5,126
EBIDTA	5,326	4,331	6,537	7,668
Depreciation	614	638	655	675
EBIT	4,712	3,693	5,882	6,992
Interest	339	332	338	342
Other Income	246	234	257	283
Exc. / E.O. items	0	0	0	0
EBT	4,620	3,595	5,801	6,934
Tax	1,188	917	1,479	1,768
RPAT	3,432	2,678	4,322	5,165
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	3,432	2,678	4,322	5,165

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	112	112	112	112
Minority Interest	0	0	0	0
Reserves & Surplus	8,087	9,512	11,811	14,559
Net Worth	8,199	9,623	11,923	14,671
Total Debt	1,649	1,649	1,649	1,649
Net Deferred Tax Liability	2	2	2	2
Total Capital Employed	9,850	11,274	13,574	16,322

Applications of Funds

Net Block	4,055	4,166	4,361	4,536
CWIP	287	287	287	287
Investments	0	0	0	0
Current Assets, Loans & Advances	10,073	10,188	12,348	14,926
Inventories	7,186	5,356	7,035	7,971
Receivables	738	628	825	935
Cash and Bank Balances	1,169	2,968	2,864	4,181
Loans and Advances	980	1,236	1,624	1,839
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	4,565	3,367	3,423	3,428
Payables	938	391	514	578
Other Current Liabilities	3,627	2,977	2,908	2,850
		<i>sub total</i>		
Net Current Assets	5,508	6,821	8,925	11,499
Total Assets	9,850	11,274	13,574	16,322

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	50.4	51.1	50.9	51.4
EBIDTA Margin	18.1	17.3	19.9	20.6
EBIT Margin	16.0	14.7	17.9	18.7
Tax rate	25.7	25.5	25.5	25.5
Net Profit Margin	11.7	10.7	13.1	13.8
(B) As Percentage of Net Sales (%)				
COGS	49.6	48.9	49.1	48.6
Employee	18.1	21.2	17.0	17.1
Other	14.3	12.6	14.1	13.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.2	0.1	0.1
Interest Coverage	13.9	11.1	17.4	20.4
Inventory days	89	78	78	78
Debtors days	9	9	9	9
Average Cost of Debt	28.5	20.1	20.5	20.7
Payable days	12	6	6	6
Working Capital days	68	99	99	113
FA T/O	7.3	6.0	7.5	8.2
(D) Measures of Investment				
AEPS (Rs)	307.8	240.2	387.6	463.3
CEPS (Rs)	362.9	297.5	446.4	523.8
DPS (Rs)	202.1	96.1	155.0	185.3
Dividend Payout (%)	65.7	40.0	40.0	40.0
BVPS (Rs)	735.3	863.1	1069.3	1315.7
RoANW (%)	43.0	30.1	40.1	38.8
RoACE (%)	40.9	28.5	37.5	36.8
RoAIC (%)	56.0	43.5	61.9	61.2
(E) Valuation Ratios				
CMP (Rs)	22195	22195	22195	22195
P/E	72.1	92.4	57.3	47.9
Mcap (Rs Mn)	247,472	247,472	247,472	247,472
MCap/ Sales	8.4	9.9	7.5	6.6
EV	247,952	246,153	246,257	244,940
EV/Sales	8.4	9.8	7.5	6.6
EV/EBITDA	46.6	56.8	37.7	31.9
P/BV	30.2	25.7	20.8	16.9
Dividend Yield (%)	0.9	0.4	0.7	0.8
(F) Growth Rate (%)				
Revenue	3.3	(14.9)	31.3	13.3
EBITDA	(13.7)	(18.7)	50.9	17.3
EBIT	(19.6)	(21.6)	59.3	18.9
PBT	(23.8)	(22.2)	61.4	19.5
APAT	(12.9)	(22.0)	61.4	19.5
EPS	(12.9)	(22.0)	61.4	19.5
Cash Flow				
(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	5,130	4,134	3,107	4,926
CFI	(744)	(750)	(850)	(850)
CFF	(3,658)	(1,585)	(2,361)	(2,759)
FCFF	4,386	3,384	2,257	4,076
Opening Cash	441	1,169	2,968	2,864
Closing Cash	1,169	2,968	2,864	4,181

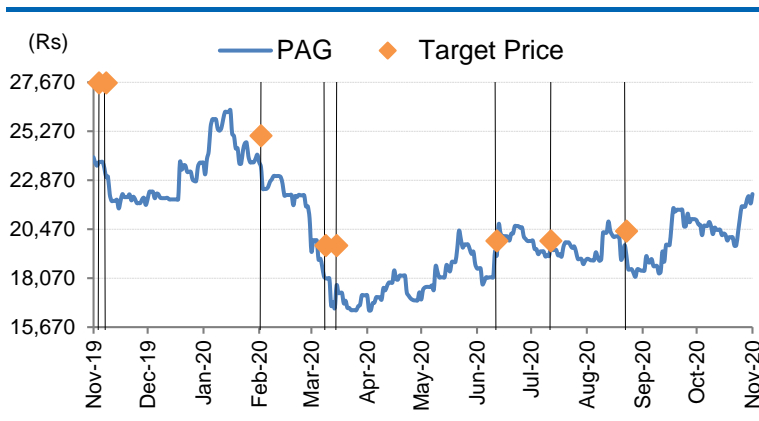
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-19	Buy	27,639	23,762
Nov-19	Buy	27,639	23,018
Feb-20	Accumulate	25,052	23,516
Mar-20	Reduce	19,675	18,060
Mar-20	Accumulate	19,675	17,718
Jun-20	Reduce	19,900	19,177
Jul-20	Reduce	19,900	19,598
Sep-20	Reduce	20,380	19,163

*Price as on recommendation date

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