Page Industries (PAGIND)

CMP: ₹ 30500 | Target: ₹ 31500 (3%) | Target Period: 12 months | HOLD

February 11, 2021

Strong beat on profitability front; positives priced in

Driven by strong demand for WFH athleisure wear & womenswear, Page reported healthy sales growth in Q3FY21. Revenue grew 17% YoY to ₹ 927.1 crore with volumes up 10% YoY to 47.6 million pieces (higher ASPs owing to higher share in athleisure wear). EBITDA margins were near all-time highs of 24.4% (up 690 bps YoY) on account of gross margin expansion (228 bps) and tight leash on operating overheads (employee, other expenses as percentage to sales down 119 bps, 344 bps YoY, respectively). We believe current margins are unsustainable in nature and expect will normalise in the 21-22% range. Absolute EBITDA grew 63% YoY to ₹ 226.1 crore. Driven by healthy operational performance and higher other income (up 19% YoY to ₹ 4.2 crore), PAT grew 77% YoY to ₹ 153.7 crore. The company highlighted that men's innerwear segment (core portfolio for Page) is yet to fully recover to their pre-Covid levels. The management indicated that it continues to witness increasing trend in sales particularly in e-commerce channel and the athleisure product category. Liquidity position remained strong with cash & cash equivalents increasing 23% QoQ to ₹ 494 crore. Page has declared a second interim dividend of ₹ 150/share (₹ 250/share in YTDFY21).

Building levers for sustainable growth

For 9MFY21, revenue declined 19% YoY vs. decline of 66% in Q1FY21. The recovery was mainly driven by high double digit growth for athleisure wear & womenswear. The management highlighted athleisure segment in value terms is nearly close to its largest segment i.e. menswear. The company remains confident of sustainability of demand from athleisure wear based on the stickiness of new trials. Page has accelerated its distribution touchpoints by ~7000 outlets (4000 added in Q3) and expects to exit FY21E with addition of ~10000 outlets. It has a launched bouquet of products catering to Tier III, IV cites (currently at pilot stage and acceptance has been encouraging). The Jockey junior segment would continue be the key focus area as the segment continues to see healthy traction. Page currently has 28 exclusive Jockey Junior stores (20 stores in pipeline) and is also distributed through ~8000+ touchpoints. We believe the kids wear segment could scale up quickly through leveraging Jockey's existing strong distribution network.

Valuation & Outlook

We revise our earnings estimates upwards by 30%, 8%, 10% for FY21, FY22, FY23E, respectively, to reflect current quarter's performance. We bake in revenue, earnings CAGR of 13%, 22%, respectively in FY20-23E. Page continues to have a healthy balance sheet with robust liquidity position (₹ 494 crore) and strong RoCE of 55%+. We like the company's new initiatives (focus on kids wear segment, implementation of auto replenishment system, new launches in athleisure wear and thrust on increasing penetration in rural areas) to propel sales and earnings growth. While we stay positive on the stock, we believe major positives are priced in the current valuations. Hence, we reiterate **HOLD** rating on the stock with a revised target price of ₹ 31500 (56x FY23E EPS, previous TP: ₹ 26985).

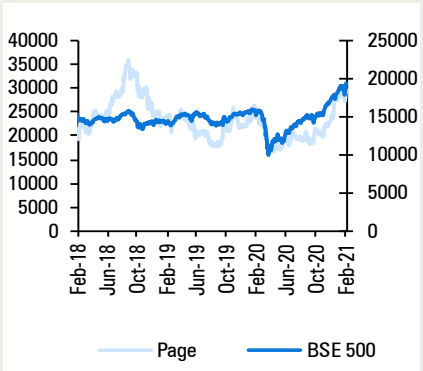
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	34,019.3
Debt (FY20) (₹ Crore)	26.8
Cash (FY20) (₹ Crore)	116.9
EV (₹ Crore)	33,929.3
52 week H/L	32372 / 16186
Equity Capital (₹ Crore)	11.2
Face Value (₹)	10.0

Key Risks

- Inability to pass on any significant increase in raw material price (cotton) can negatively impact margins of the company
- Faster than expected revenue recovery can lead to higher than estimated revenue growth

Price Chart



Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Cheragh Sidhwa
cheragh.sidhwa@icicisecurities.com

Key Financial Summary

₹ crore	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	2,945.4	2,679.9	3,613.1	4,203.6	12.6%
EBITDA	532.6	499.6	775.9	924.0	20.2%
PAT	343.2	316.6	520.0	626.6	22.2%
P/E (x)	99.1	107.5	65.4	54.3	
EV/Sales (x)	11.5	12.7	9.4	8.0	
EV/EBITDA (x)	63.7	67.9	43.7	36.6	
RoCE (%)	55.7	46.8	64.4	64.4	
RoE (%)	41.9	36.7	49.8	49.6	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	Comments
Revenue	927.1	890.7	793.8	16.8	740.3	25.2	Volumes grew by 10%, while ASP improved by 7% mainly owing to higher proportion of athleisure wear
Other income	4.2	3.6	3.5	19.3	3.7	39.7	
Employee Expense	146.2	145.2	134.6	8.6	129.9	12.5	
Raw Material Expense	413.1	418.6	371.8	11.1	329.7	25.3	
SG&A Expenses	141.7	138.9	148.6	-4.7	115.3	22.8	Reduction in other expenses mainly in marketing spends and factory overheads
EBITDA	226.1	187.9	138.8	62.9	165.4	36.7	
EBITDA Margin (%)	24.4	21.1	17.5	691 bps	22.3	206 bps	Reported strong beat on EBITDA margin
Depreciation	15.6	16.1	16.4	-4.7	15.7	-0.2	
Interest	7.4	7.8	9.0	-17.5	7.5	-1.7	
PBT	207.3	167.6	116.9	77.3	145.9	42.1	
Tax Outgo	53.6	42.2	29.9	79.2	35.0	52.9	
PAT	153.7	125.4	87.0	76.6	110.9	38.7	

Source: Company, ICICI Direct Research

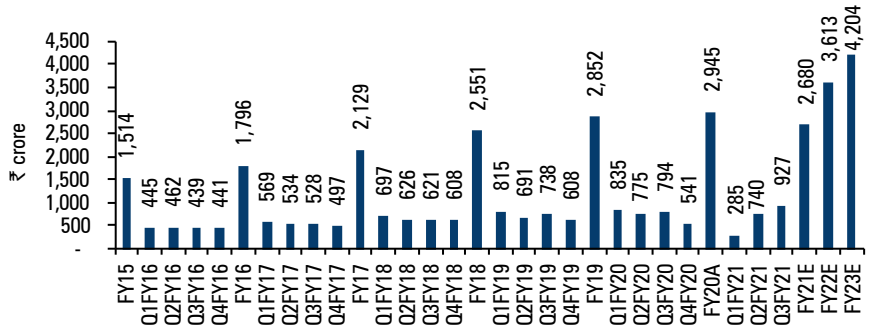
Exhibit 2: Change in estimates

	FY21E			FY22E			FY23E		
(₹ Crore)	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	2,582.5	2,679.9	3.8	3,445.1	3,613.1	4.9	3,973.2	4,203.6	5.8
EBITDA	402.4	499.6	24.2	728.6	775.9	6.5	847.5	924.0	9.0
EBITDA margin (%)	15.6	18.6	306 bps	21.1	21.5	32 bps	21.3	22.0	65 bps
PAT	243.2	316.6	30.2	483.7	520.0	7.5	567.9	626.6	10.3
EPS (₹)	218.0	283.8	30.2	433.7	466.2	7.5	509.5	561.7	10.3

Source: Company, ICICI Direct Research

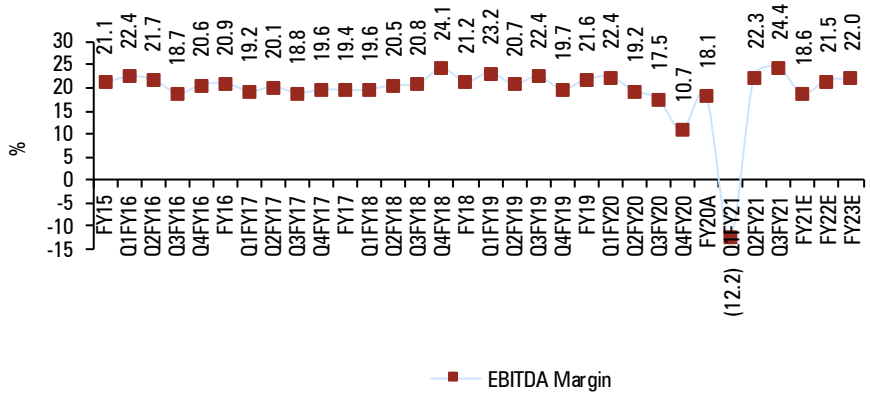
Financial story in charts

Exhibit 3: Revenue trend



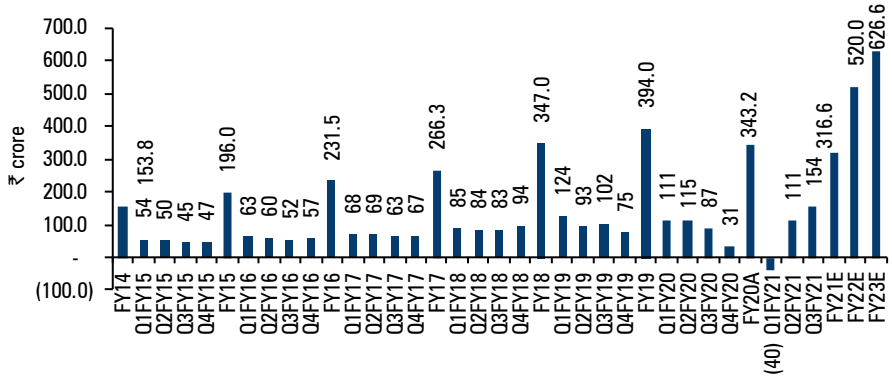
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 5: Net profit trend



Source: Company, ICICI Direct Research.

Exhibit 6: Valuation

	Sales	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY19	2852.2	11.8	353.2	13.5	86.3	55.2	50.8	69.1
FY20A	2945.4	3.3	307.7	-12.9	99.1	63.7	41.9	55.7
FY21E	2679.9	-9.0	283.8	-7.8	107.5	67.9	36.7	46.8
FY22E	3613.1	34.8	466.2	64.3	65.4	43.7	49.8	64.4
FY23E	4203.6	16.3	561.7	20.5	54.3	36.6	49.6	64.4

Source: Company, ICICI Direct Research

Financial summary

Exhibit 7: Profit and loss statement ₹ crore

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Total operating Income	**2,945.4**	**2,679.9**	**3,613.1**	**4,203.6**
Growth (%)	3.3	(9.0)	34.8	16.3
Raw Material Expenses	1,310.8	1,183.4	1,590.7	1,841.9
Employee Expenses	531.7	538.7	621.4	706.2
Other Expenses	570.3	458.3	625.1	731.4
Total Operating Expenditure	2,412.8	2,180.3	2,837.2	3,279.6
EBITDA	**532.6**	**499.6**	**775.9**	**924.0**
Growth (%)	(13.7)	(6.2)	55.3	19.1
Depreciation	61.4	65.0	73.5	80.4
EBIT	471.2	434.6	702.3	843.7
Growth (%)	(19.6)	(7.8)	61.6	20.1
Interest	33.9	35.5	36.0	40.5
Other Income	24.6	24.1	28.9	34.5
PBT	462.0	423.2	695.3	837.7
Growth (%)	(23.8)	(8.4)	64.3	20.5
Total Tax	118.8	106.7	175.2	211.1
PAT	**343.2**	**316.6**	**520.0**	**626.6**
Growth (%)	(12.9)	(7.8)	64.3	20.5
EPS (₹)	**307.7**	**283.8**	**466.2**	**561.7**

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement ₹ crore

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Profit after tax	343.2	316.6	520.0	626.6
Add: Depreciation	61.4	65.0	73.5	80.4
(Inc)/dec in Current Assets	63.1	(21.2)	(161.9)	(125.9)
Inc/(dec) in CL and Provisions	37.3	0.6	41.9	22.3
Others	-	-	-	-
CF from operating activities	**505.0**	**361.0**	**473.5**	**603.4**
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(34.9)	(70.0)	(70.0)	(70.0)
(Inc)/dec in CWIP	(21.5)	3.7	-	-
Others	(26.2)	-	-	-
CF from investing activities	**(82.6)**	**(66.3)**	**(70.0)**	**(70.0)**
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(45.7)	38.2	(20.0)	-
Others	(303.9)	(297.1)	(366.5)	(437.8)
CF from financing activities	**(349.6)**	**(258.9)**	**(386.5)**	**(437.8)**
Net Cash flow	72.8	35.8	17.0	95.6
Opening Cash	44.1	116.9	152.7	169.7
Closing Cash	**116.9**	**152.7**	**169.7**	**265.3**

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet ₹ crore

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Liabilities				
Equity Capital	11.2	11.2	11.2	11.2
Reserve and Surplus	808.7	851.8	1,033.8	1,253.1
Total Shareholders funds	819.9	862.9	1,044.9	1,264.2
Total Debt	26.8	65.0	45.0	45.0
Deferred Tax Liability	0.2	0.2	0.2	0.2
Other long term liabilities	147.6	149.0	150.5	152.0
Total Liabilities	**994.5**	**1,077.2**	**1,240.7**	**1,461.5**
Assets				
Gross Block	417.9	487.9	557.9	627.9
Less: Acc Depreciation	120.2	160.2	203.7	252.1
Net Block	297.7	327.7	354.2	375.8
Capital WIP	28.7	25.0	25.0	25.0
Intangible Assets	3.3	3.3	3.3	3.3
Total Fixed Assets	329.8	356.0	382.5	404.1
Investments	-	-	-	-
Inventory	718.6	719.5	871.1	978.9
Debtors	73.8	88.1	99.0	115.2
Loans and Advances	-	5.9	5.4	7.2
Cash	116.9	152.7	169.7	265.3
Total Current Assets	1,014.5	1,071.5	1,250.4	1,471.8
Sundry Creditors	93.8	88.1	128.7	149.7
Current Liabilities	397.3	403.3	404.3	405.3
Provisions	27.3	27.6	27.9	28.2
Total Current Liabilities	518.5	519.0	560.9	583.2
Net Current Assets	496.1	552.5	689.5	888.7
Other Non-current Assets	168.7	168.7	168.7	168.7
Application of Funds	**994.5**	**1,077.2**	**1,240.7**	**1,461.5**

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	307.7	283.8	466.2	561.7
Cash EPS	362.7	342.1	532.2	633.8
BV	735.1	773.7	936.8	1,133.5
DPS	202.0	245.2	303.1	365.1
Cash Per Share	104.8	136.9	152.1	237.8
Operating Ratios				
EBITDA Margin (%)	18.1	18.6	21.5	22.0
PBT Margin (%)	15.7	15.8	19.2	19.9
PAT Margin (%)	11.7	11.8	14.4	14.9
Inventory days	89.0	98.0	88.0	85.0
Debtor days	9.1	12.0	10.0	10.0
Creditor days	11.6	12.0	13.0	13.0
Return Ratios (%)				
RoE	41.9	36.7	49.8	49.6
RoCE	55.7	46.8	64.4	64.4
Valuation Ratios (x)				
P/E	99.1	107.5	65.4	54.3
EV / EBITDA	63.7	67.9	43.7	36.6
EV / Net Sales	11.5	12.7	9.4	8.0
Market Cap / Sales	11.5	12.7	9.4	8.1
Price to Book Value	41.5	39.4	32.6	26.9
Solvency Ratios				
Debt/EBITDA	0.1	0.1	0.1	0.0
Debt / Equity	0.0	0.1	0.0	0.0
Current Ratio	2.0	2.1	2.2	2.5
Quick Ratio	0.6	0.7	0.7	0.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey | **Head – Research** | **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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