

Accumulate

View: Steady performance

- Page Industries' Q3FY21 results were ahead of our estimates. The company reported 10% volume growth – benefiting from opening up of markets.
- Revenue growth was also benefited from increased distribution reach and addition of new MBO's. Athleisure and women segments continue to witness strong double digit growths.
- In addition to GM expansion, better operating efficiency and lower A&P spends helped EBITDA margins to expand by 690bps.
- Going ahead, we believe that the company's focus to increase penetration, especially in the women and kid's categories would help drive growth. Further, better operating efficiencies would help it to maintain 22%+ EBITDA margin.
- We have upward revised our EPS estimates for FY21/22/23E to Rs 297/442/501 implying 24/14/8% increase. The innerwear industry is likely to continue to witness strong revival and Page would regain high growth. Hence we believe that the stock would get re-rated to rich valuations. Buy on dips with TP of Rs 32,552 (65x FY23E EPS).

Results ahead of estimates, improvement in margins

Net Sales grew 16.8% YoY to Rs 9.3bn in Q3FY21. Revenue growth of peers-Rupa (+12.4%), Dollar (+22.3%). We believe that the revenue performance is robust considering higher contribution of EBO's and premium and urban centric nature of the business. GM expanded by 230bps to 55.4%. In addition, reduction in employee cost/ other expense by 120/340bps respectively helped expand EBITDA margin by 690bps to 24.4%. EBITDA increased 62.9% to 2,261mn. APAT jumped by 76.6% to Rs 1,537mn.

Margins to remain high

Page reported 690bps expansion in operating margin driven by GM expansion and better operating efficiencies. The company is consistently working on reducing overhead costs. Although we believe that A&P spends would increase hereon, with strong revenue growth, operating margins would remain 22%+. We continue to believe that Kids, women and athleisure segments would be key growth drivers for the company in long run. High margins associated with these categories would boost EBITDAM.

Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	9,271	7,938	16.8	7,403	25.2
Total Expense	7,009	6,550	7.0	5,749	21.9
EBITDA	2,261	1,388	62.9	1,654	36.8
Depreciation	156	164	(4.7)	157	(0.2)
EBIT	2,105	1,224	72.0	1,497	40.6
Other Income	42	35	19.1	37	11.8
Interest	74	90	(17.5)	75	(1.6)
EBT	2,073	1,169	77.3	1,459	42.1
Tax	536	299	79.2	350	52.9
RPAT	1,537	870	76.6	1,109	38.6
APAT	1,537	870	76.6	1,109	38.6
			(bps)		(bps)
Gross Margin (%)	55.4	53.2	228	55.5	(2)
EBITDA Margin (%)	24.4	17.5	691	22.3	206
NPM (%)	16.6	11.0	562	15.0	160
Tax Rate (%)	25.8	25.6	28	24.0	183
EBIT Margin (%)	22.7	15.4	729	20.2	249

CMP	Rs 31,934
Target / Upside	Rs 32,552 / 2%
NIFTY	15,107

Scrip Details

Equity / FV	Rs 112mn / Rs 10
Market Cap	Rs 356bn
	USD 5bn
52-week High/Low	Rs 32,206/ 16,254
Avg. Volume (no)	56,590
Bloom Code	PAG IN

Price Performance	1M	3M	12M
Absolute (%)	7	45	33
Rel to NIFTY (%)	2	26	8

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	48.3	48.3	48.3
MF/Banks/FIs	18.2	18.2	18.2
FIIIs	25.2	25.2	25.2
Public / Others	8.3	8.3	8.3

Valuation (x)

	FY21E	FY22E	FY23E
P/E	107.5	72.2	63.7
EV/EBITDA	68.5	47.8	42.1
ROE (%)	36.5	43.7	39.7
RoACE (%)	34.0	40.8	37.7

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	26,736	33,896	38,381
EBITDA	5,181	7,458	8,421
PAT	3,311	4,931	5,586
EPS (Rs.)	297.0	442.3	501.0

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Exhibit 1: Q3FY21 Actual V/s Estimates Variance

Rs mn	Actual	Estimates	Variance (%)	Comments
Revenue	9,271	8,335	11.2	Demand recovery was better than our estimates
EBITDA	2,261	1,791	26.3	
EBITDA margin %	24.4	21.5	290bps	RM cost was lower than our estimate
APAT	1,537	1,213	26.7	

Source: Company, DART

Exhibit 2: Change in estimate

Rs Mn	FY21E			FY22E			FY23E		
	New	Previous	Chg (%)	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	26,736	25,065	6.7	33,896	32,922	3.0	38,381	37,299	2.9
EBITDA	5,181	4,331	19.6	7,458	6,537	14.1	8,421	7,668	9.8
EBITDA Margin (%)	19.4	17.3	210bps	22.0	19.9	210bps	21.9	20.6	140bps
PAT	3,311	2,678	23.6	4,931	4,322	14.1	5,586	5,165	8.1
EPS (Rs)	296.9	240.1	23.6	442.1	387.5	14.1	500.8	463.1	8.1

Source: Company, DART

We have upward revised our revenue estimates for FY21/22/23 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 Q3. In line with the revision in EBITDA, we have revised our APAT estimates.

Exhibit 3: 9M performance

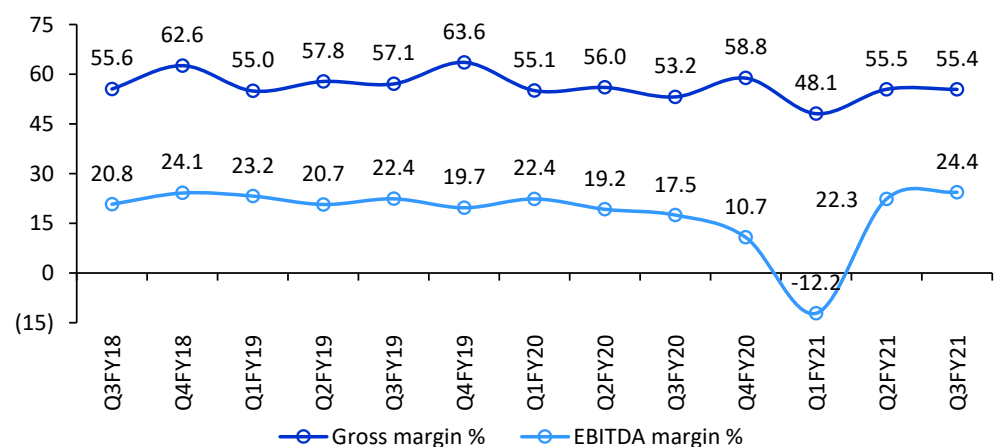
Particulars (Rs.mn)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	9MFY21	9MFY20	YoY (%)
Net Sales	9,271	7,938	16.8	7,403	25.2	19,522	24,042	(18.8)
Expenditure	7,009	6,550	7.0	5,749	21.9	15,954	19,297	(17.3)
Raw Materials	4,131	3,718	11.1	3,297	25.3	8,906	10,880	(18.1)
Employee Cost	1,462	1,346	8.6	1,299	12.5	3,989	3,974	0.4
Other Expenditure	1,417	1,486	(4.7)	1,153	22.8	3,058	4,443	(31.2)
Operating Profit	2,261	1,388	62.9	1,654	36.8	3,568	4,744	(24.8)
Other Income	42	35	19.1	37	11.8	139	147	(5.5)
Interest	74	90	(17.5)	75	(1.6)	226	253	(10.8)
Depreciation	156	164	(4.7)	157	(0.2)	473	451	5.1
PBT	2,073	1,169	77.3	1,459	42.1	3,008	4,188	(28.2)
Tax	536	299	79.2	350	52.9	758	1,066	(28.9)
Net Profit	1,537	870	76.6	1,109	38.6	2,250	3,122	(27.9)
			bps		bps			bps
Gross Margin (%)	55.4	53.2	230	55.5	-	54.4	54.7	(40)
Employee Cost (%)	15.8	17.0	(120)	17.5	(180)	20.4	16.5	390
Other Exp (%)	15.3	18.7	(340)	15.6	(30)	15.7	18.5	(280)
OPM (%)	24.4	17.5	690	22.3	210	18.3	19.7	(150)
NPM (%)	16.6	11.0	560	15.0	160	11.5	13.0	(150)

Source: Company, DART

Concall takeaways

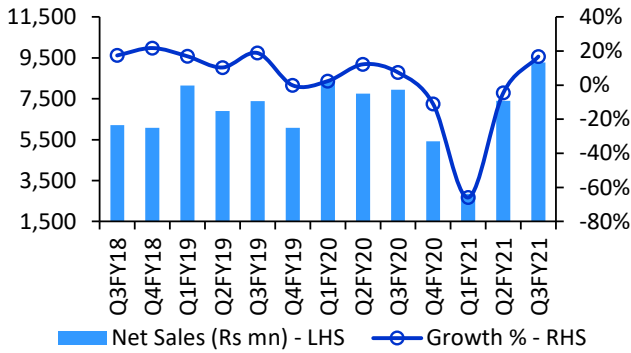
- Volumes grew 10% YoY and 22% QoQ in Q3FY21. The company witnessed good MoM recovery since Aug'20. During our channel checks in September, we highlighted recovery in domestic innerwear industry.
- More than 95% of MBO's (67,500+ outlets) are fully functional, 93% of LFS (2,299 stores) and 100% of EBO's (873 outlets) have re-opened. E-commerce continued to show promising growth.
- The management expects yarn prices to come down in Feb'21 with new crop season. The company does not see any major impact on profitability due to RM inflation. It had taken a price hike in Aug'20, will take further price revision only if necessary.
- Manufacturing facilities and warehouses have returned to normalcy. Capex for capacity expansion and digital transformation is likely to be ~Rs 3bn for FY22E.
- Kidswear remains a key focus area. The company received encouraging response in Juniors business. The company has 28 EBO's only for Juniors business. It also has 192 Jockey juniors specific channel partners across 174 cities managed by sales team of 150 people.
- The company added 7K MBO's in 9MFY21. It is looking to add 10K outlets by year end. The company sees strong potential for growth in Tier 3/4 cities as well and is strengthening distribution network in a phased manner in these markets.
- EBO's exhibited like-to-like positive growth in Q3FY21 mainly due to high double digit growth in athleisure business. Athleisure contributes 40% of revenue of EBO. Going ahead, the company expects athleisure growth to continue even as offices open, due to the encouraging customer response and brand stickiness.
- A&SP spends have halved this year compared to 4.5-5% of sales generally. EBITDA margin of 24% is not likely to sustain as A&SP spends are expected to increase going ahead. With cost control initiatives and calibrated price hikes, management expects 22% EBITDA margins, going ahead.

Exhibit 4: Quarterly trend in operating performance



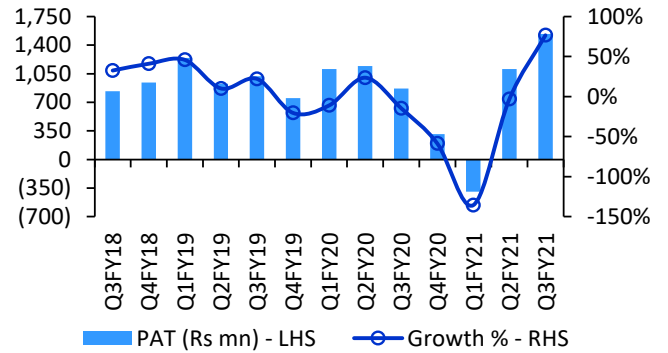
Source: DART, Company

Exhibit 5: Trend in Net Sales (YoY)



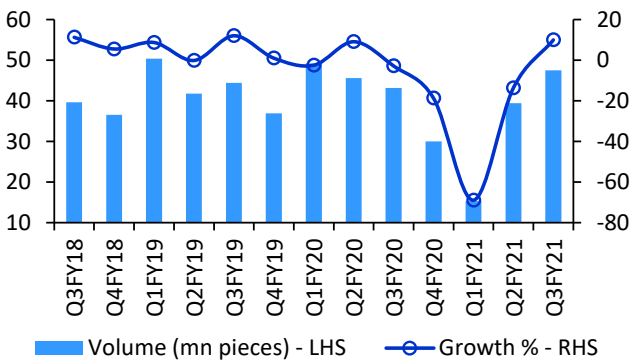
Source: DART, Company

Exhibit 6: Trend in PAT Growth (YoY)



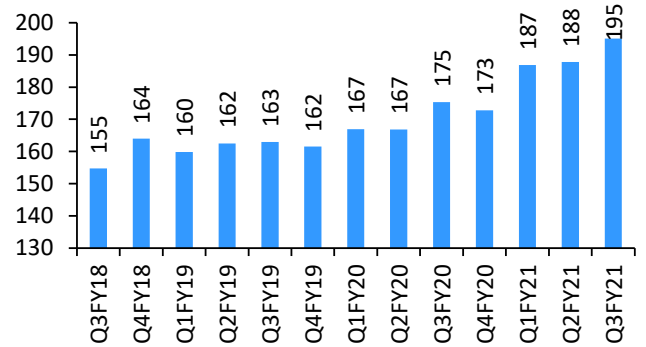
Source: DART, Company

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	26,736	33,896	38,381
Total Expense	24,128	21,555	26,438	29,960
COGS	14,609	12,942	16,116	18,217
Employees Cost	5,317	5,317	5,583	6,364
Other expenses	4,203	3,296	4,739	5,378
EBIDTA	5,326	5,181	7,458	8,421
Depreciation	614	638	758	864
EBIT	4,712	4,542	6,700	7,557
Interest	339	332	338	342
Other Income	246	234	257	283
Exc. / E.O. items	0	0	0	0
EBT	4,620	4,445	6,619	7,498
Tax	1,188	1,133	1,688	1,912
RPAT	3,432	3,311	4,931	5,586
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	3,432	3,311	4,931	5,586

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	9,849	12,472	15,444
Net Worth	8,199	9,960	12,584	15,555
Total Debt	1,649	1,649	1,649	1,649
Net Deferred Tax Liability	2	2	2	2
Total Capital Employed	9,850	11,611	14,235	17,206

Applications of Funds

Net Block	4,055	4,166	6,408	6,394
CWIP	287	287	287	287
Investments	0	0	0	0
Current Assets, Loans & Advances	10,073	10,547	10,961	13,956
Inventories	7,186	5,713	7,243	8,202
Receivables	738	670	849	962
Cash and Bank Balances	1,169	2,845	1,197	2,899
Loans and Advances	980	1,318	1,672	1,893
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	4,565	3,389	3,422	3,430
Payables	938	412	513	580
Other Current Liabilities	3,627	2,977	2,908	2,850
		<i>sub total</i>		
Net Current Assets	5,508	7,158	7,540	10,526
Total Assets	9,850	11,611	14,235	17,206

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	50.4	51.6	52.5	52.5
EBIDTA Margin	18.1	19.4	22.0	21.9
EBIT Margin	16.0	17.0	19.8	19.7
Tax rate	25.7	25.5	25.5	25.5
Net Profit Margin	11.7	12.4	14.5	14.6
(B) As Percentage of Net Sales (%)				
COGS	49.6	48.4	47.5	47.5
Employee	18.1	19.9	16.5	16.6
Other	14.3	12.3	14.0	14.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.2	0.1	0.1
Interest Coverage	13.9	13.7	19.8	22.1
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	98	81	100
FA T/O	7.3	6.4	5.3	6.0
(D) Measures of Investment				
AEPS (Rs)	307.8	297.0	442.3	501.0
CEPS (Rs)	362.9	354.2	510.3	578.5
DPS (Rs)	202.1	118.8	176.9	200.4
Dividend Payout (%)	65.7	40.0	40.0	40.0
BVPS (Rs)	735.3	893.3	1128.6	1395.1
RoANW (%)	43.0	36.5	43.7	39.7
RoACE (%)	40.9	34.0	40.8	37.7
RoAIC (%)	56.0	52.1	61.5	55.3
(E) Valuation Ratios				
CMP (Rs)	31934	31934	31934	31934
P/E	103.7	107.5	72.2	63.7
Mcap (Rs Mn)	356,061	356,061	356,061	356,061
MCap/ Sales	12.1	13.3	10.5	9.3
EV	356,541	354,865	356,513	354,810
EV/Sales	12.1	13.3	10.5	9.2
EV/EBITDA	66.9	68.5	47.8	42.1
P/BV	43.4	35.7	28.3	22.9
Dividend Yield (%)	0.6	0.4	0.6	0.6
(F) Growth Rate (%)				
Revenue	3.3	(9.2)	26.8	13.2
EBITDA	(13.7)	(2.7)	43.9	12.9
EBIT	(19.6)	(3.6)	47.5	12.8
PBT	(23.8)	(3.8)	48.9	13.3
APAT	(12.9)	(3.5)	48.9	13.3
EPS	(12.9)	(3.5)	48.9	13.3

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	5,130	4,307	3,998	5,509
CFI	(744)	(750)	(3,000)	(850)
CFF	(3,658)	(1,882)	(2,646)	(2,956)
FCFF	4,386	3,557	998	4,659
Opening Cash	441	1,169	2,845	1,197
Closing Cash	1,169	2,845	1,197	2,899

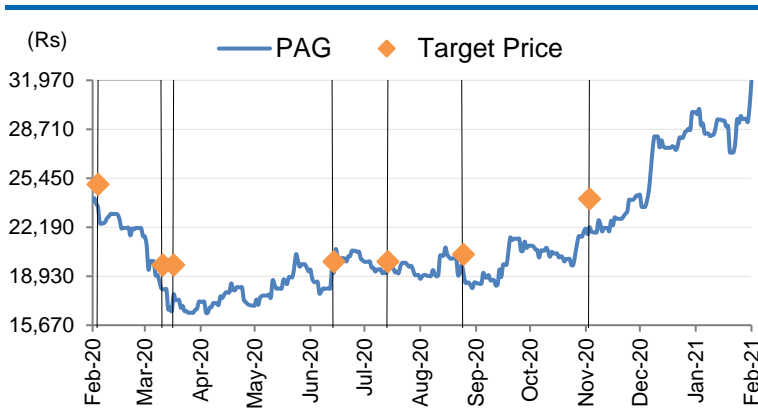
E – Estimates

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.)
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
Nov-20	Accumulate	24,082	22,195

*Price as on recommendation date

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