

## Enhancing distribution footprint to capture demand

**About the stock:** Page Industries is the exclusive licensee of Jockey international brand and is the market leader in premium innerwear and leisurewear category. The brand is distributed in 2,895+ cities & towns and available in 80,000+ MBOs and 930+ EBOs. It sold ~ 148 million pieces in FY21.

- Strong backward integration facilities having capacity of 260 million pieces
- Robust business model generating 55%+ RoCE, delivering consistent EBITDA margins of 20%+ and having debt free b/s

**Q1FY22 Results:** Steady operational performance despite a challenging quarter.

- On a low base, revenue grew 76% YoY to ₹ 501.5 crore (~60% recovery rate on Q1FY20 base). Volumes grew 70% YoY to 25.3 million pieces
- Underlying gross margins (including manufacturing overheads) declined 840 bps QoQ to 33.2% (up 1000 bps YoY)
- Owing unabsorbed fixed overheads, EBITDA margins came in at 6.8% (Q4FY21: 19.3%, Q1FY21: -12.2%). Reported PAT of ₹ 10.9 crore (Q4FY21: ₹ 115.6 crore, Q1FY21: (-) ₹ 39.6 crore)

**What should investors do?** Page's share price has grown by ~2.2x over the past five years (from ~₹ 14300 in August 2016 to ~₹ 32000 levels in August 2021).

- We maintain **HOLD** recommendation on the stock

**Target Price and Valuation:** We value Page at ₹ 35175 i.e. 62x FY23E EPS

### Key triggers for future price performance:

- 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
- Accelerated its distribution touchpoints (14600 in FY21, 1465 in Q1FY21) to 80000+ MBOs and expects to add 250+ exclusive stores each year
- To further penetrate the untapped markets of tier III/IV cities, it has launched a bouquet of products catering to these markets
- Continues to have healthy balance sheet with robust liquidity position (₹ 327 crore) and strong RoCE of 55%+
- We build in earnings CAGR of 22% in FY20-23E

**Alternate Stock Idea:** Apart from Page, in our retail coverage we also like Aditya Birla Fashion & Retail (ABFRL)

- ABFRL has charted out growth strategies to become a ~US\$2.8 billion entity (₹ 21000 crore) by FY26E, translating to 15% CAGR in FY20-26E
- BUY with a target price of ₹ 265/share

**JOCKEY**

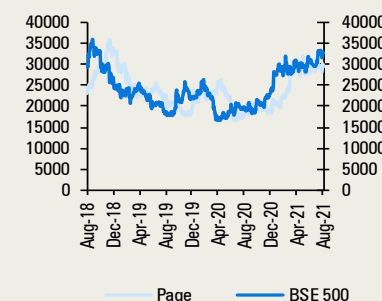
### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	36,197.7
Debt (FY21) (₹ Crore)	-
Cash (FY21) (₹ Crore)	434.0
EV (₹ Crore)	35,763.7
52 week H/L	35699 / 29208
Equity Capital (₹ Crore)	11.2
Face Value (₹)	10.0

### Shareholding pattern

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	48.3	48.3	48.3	48.3	47.9
FII	25.5	25.2	25.3	25.9	23.6
DII	13.4	15.5	14.8	15.5	18.0
Others	12.8	10.9	11.6	10.3	10.5

### Price Chart



### Key risks

**Key Risk:** (i) Slow ramp up of store network (ii) Sharper revenue recovery can lead to higher revenue growth

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### Key Financial Summary

Financials	FY20	FY21A	5 Year CAGR (FY16-21)	FY22E	FY23E	2 Year CAGR (FY21-23E)
Net Sales	2,945.4	2,833.0	9.5%	3,427.8	4,232.6	22.2%
EBITDA	532.6	526.6	7.0%	671.2	924.9	32.5%
PAT	343.2	340.6	8.0%	445.8	630.8	36.1%
P/E (x)	105.5	106.3		81.2	57.4	
EV/Sales (x)	12.3	12.6		10.4	8.4	
EV/EBITDA (x)	67.8	67.9		53.3	38.6	
RoCE (%)	55.7	52.4		55.4	65.0	

## Key takeaways of recent quarter & conference call highlights

- On a low base, company reported revenue growth of 76% YoY to ₹ 501.4 crore (I-direct estimate: ₹ 459.1 crore, recovery rate: ~60%). Accelerated demand towards athleisure wear continued during the quarter. Volumes grew 70% YoY to 25.3 million pieces (April: 12 mn, May: 4 mn, June: 9 mn pieces), with average realisations increasing ~4% YoY to ₹ 194/piece
- On account of higher RM prices and unabsorbed manufacturing overheads, underlying gross margins declined 840 bps QoQ to 33.1%. The company has undertaken price hikes to offset the negative impact and expects gross margins to revert to pre-Covid levels by Q2FY22
- Owing to unabsorbed employee, selling and administrative overheads, EBITDA margins declined 1246 bps QoQ to 6.8%. Absolute EBITDA declined 80% QoQ to ₹ 34.2 crore. Subsequently, the company reported PAT of ₹ 10.9 crore (Q4FY21: ₹ 115.6 crore, Q1FY21: (-) ₹ 39.6 crore)

### Q1FY22 Earnings conference call highlights:

- Page indicated the demand recovery has been strong in June, July and ~61% of multi brand outlet (MBO) network is operational while all its exclusive brand outlets (EBO) and large format stores are currently operational. Except for a couple of states, most states have relaxed restrictions on trade. This should provide impetus to the revenue recovery
- The company had lost 48 days of manufacturing due to lockdown but was able to cater to the demand as it had sufficient inventory while it also increased outsourcing from other vendors. Page is also carrying raw material inventory and is working in double shifts post relaxation of restrictions, which would enable it to ramp up the production at a fast pace
- Among distribution channels, e-commerce has been the best performing channel. The share of e-commerce in FY21 was ~7.4% while for Q1FY22 the share increased to ~19%. The company is investing in strengthening the supply chain capabilities by setting up a warehouse and working on initiatives to enhance efficiency of the e-commerce channel
- The company continues to increase its focus on kids wear. Page currently has 39 EBOs for its kids wear brand 'Jockey Junior'. The company has set up a separate sales team of 200 sales person for increasing the revenue share of from Kids wear segment
- On the raw material inflation, the company said there was an impact of ~3% in Q1FY22. Page has taken a price hike of ~4% to mitigate the impact of raw material inflation. Also, the management indicated that raw material prices have shown a normalising trend in the last one month from its peak
- The company was able to register an EBITDA margin of around 19% in April 2021 but May and June were not good in terms of profitability. The management indicated that from July onwards profitability is back on track
- Among product segments, all reported growth with athleisure segment growing at the fastest pace, while womenswear also performed well
- On the store expansion front, of the latest 200 EBOs opened, three-fourth have been opened in tier II/III towns with increased focus on enhancing rural reach. In Q1FY22, the company added 1465 MBOs and also added nine EBOs

**Exhibit 1: Variance Analysis**

	Q1FY22	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	Comments
Revenue	501.5	459.1	284.8	76.1	880.8	-43.1	On the base of Q1FY20, recovery stood at ~60%. Volumes increased 70% YoY (44% down QoQ) to 25 mn pieces
Other income	3.6	5.8	6.1	-41.2	5.6	39.7	
Employee Expense	152.7	151.5	122.9	24.3	164.8	-7.3	
Raw Material Expense	212.0	206.6	147.8	43.4	373.3	-43.2	Higher RM prices impacted gross margins
SG&A Expenses	102.6	85.4	48.8	110.2	172.9	-40.6	
EBITDA	34.2	15.6	-34.7	-198.5	169.8	-79.9	
EBITDA Margin (%)	6.8	3.4	-12.2	1901 bps	19.3	-1246 bps	Unabsorbed overheads resulted in subdued EBITDA margins
Depreciation	15.9	15.9	16.0	-0.9	15.6	2.1	
Interest	7.4	7.3	7.7	-4.2	7.2	2.7	
PBT	14.5	-1.7	-52.4	-127.7	152.6	-90.5	
Tax Outgo	3.6	0.0	-12.8	-127.8	37.1	-90.4	
PAT	10.9	-1.7	-39.6	-127.6	115.6	-90.5	

Source: Company, ICICI Direct Research

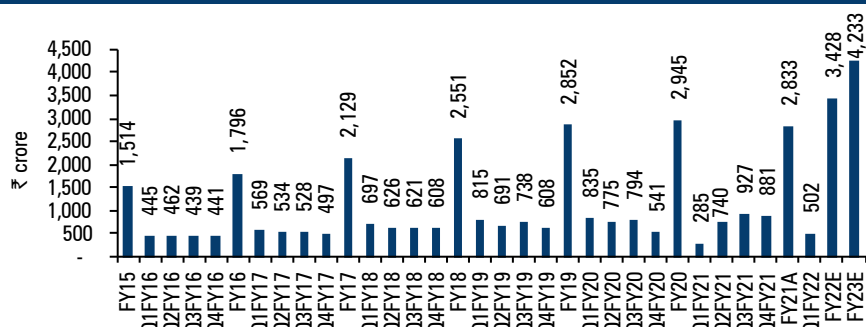
**Exhibit 2: Change in estimates**

Exhibit 2: Change in estimates							
	FY21A	FY22E			FY23E		
(₹ Crore)	Actual	Old	New	% Change	Old	New	% Change
Revenue	2,833.0	3,427.8	3,427.8	0.0	4,232.6	4,232.6	0.0
EBITDA	526.6	671.2	671.2	0.0	924.9	924.9	0.0
EBITDA margin (%)	18.6	19.6	19.6	0 bps	21.9	21.9	0 bps
PAT	340.6	445.8	445.8	0.0	630.8	630.8	0.0
EPS (₹)	305.3	399.7	399.7	0.0	565.5	565.5	0.0

Source: Company, ICICI Direct Research

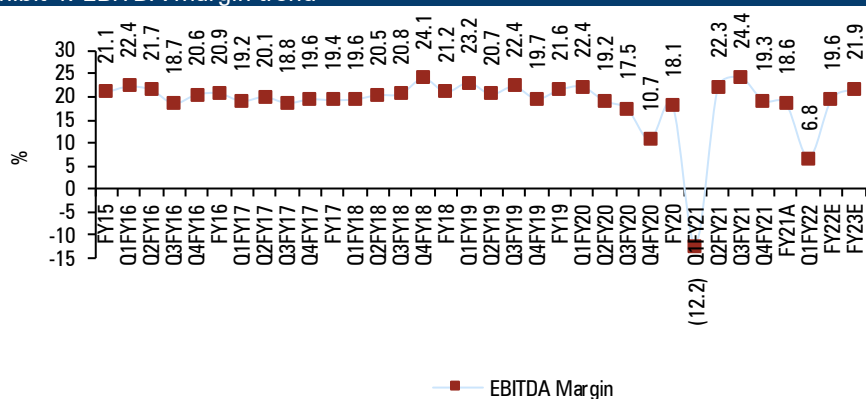
## Financial story in charts

Exhibit 3: Revenue trend



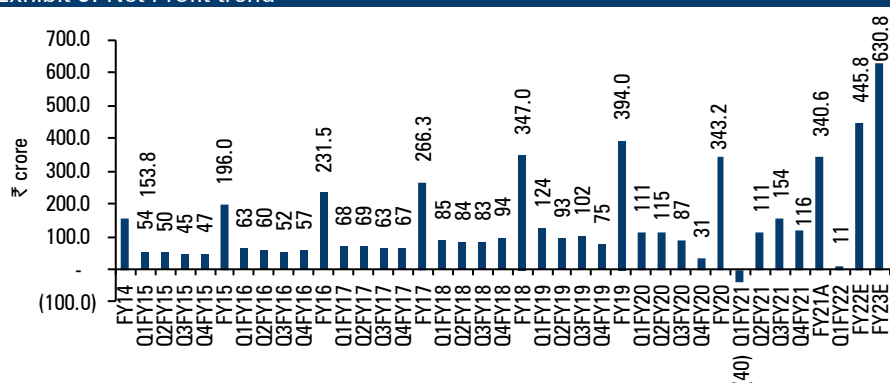
Source: Company, ICICI Direct Research

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	91.9	58.7	50.8	69.1
FY20	2945.4	3.3	307.7	-12.9	105.5	67.8	41.9	55.7
FY21A	2833.0	-3.8	305.3	-0.8	106.3	67.9	38.5	52.4
FY22E	3427.8	21.0	399.7	30.9	81.2	53.3	42.8	55.4
FY23E	4232.6	23.5	565.5	41.5	57.4	38.6	50.0	65.0

Source: Company, ICICI Direct Research

## Financial Summary

**Exhibit 7: Profit and loss statement** ₹ crore

(Year-end March)	FY20	FY21A	FY22E	FY23E
<b>Total operating Income</b>	<b>2,945.4</b>	<b>2,833.0</b>	<b>3,427.8</b>	<b>4,232.6</b>
Growth (%)	3.3	(3.8)	21.0	23.5
Raw Material Expenses	1,310.8	1,263.9	1,526.1	1,855.9
Employee Expenses	531.7	563.8	617.0	711.1
Other Expenses	570.3	478.7	613.6	740.7
Total Operating Expenditure	2,412.8	2,306.4	2,756.7	3,307.7
<b>EBITDA</b>	<b>532.6</b>	<b>526.6</b>	<b>671.2</b>	<b>924.9</b>
Growth (%)	(13.7)	(1.1)	27.5	37.8
Depreciation	61.4	62.9	69.6	75.9
EBIT	471.2	463.7	601.5	849.1
Growth (%)	(19.6)	(1.6)	29.7	41.1
Interest	33.9	29.7	33.0	40.5
Other Income	24.6	19.5	27.4	34.7
PBT	462.0	453.4	596.0	843.3
Growth (%)	(23.8)	(1.9)	31.4	41.5
Total Tax	118.8	112.8	150.2	212.5
<b>PAT</b>	<b>343.2</b>	<b>340.6</b>	<b>445.8</b>	<b>630.8</b>
Growth (%)	(12.9)	(0.8)	30.9	41.5
<b>EPS (₹)</b>	<b>307.7</b>	<b>305.3</b>	<b>399.7</b>	<b>565.5</b>

Source: Company, ICICI Direct Research

**Exhibit 8: Cash flow statement** ₹ crore

(Year-end March)	FY20	FY21A	FY22E	FY23E
Profit after tax	343.2	340.6	445.8	630.8
Add: Depreciation	61.4	62.9	69.6	75.9
(Inc)/dec in Current Assets	63.1	106.4	(134.2)	(195.2)
Inc/(dec) in CL and Provisions	37.3	161.2	(28.5)	45.3
Others	-	-	-	-
<b>CF from operating activities</b>	<b>505.0</b>	<b>671.0</b>	<b>352.8</b>	<b>556.7</b>
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(34.9)	(20.0)	(60.0)	(60.0)
(Inc)/dec in CWIP	(21.5)	0.9	2.9	-
Others	(26.2)	-	-	-
<b>CF from investing activities</b>	<b>(82.6)</b>	<b>(19.1)</b>	<b>(57.2)</b>	<b>(60.0)</b>
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(45.7)	(26.8)	45.0	-
Others	(303.9)	(308.0)	(318.4)	(440.6)
<b>CF from financing activities</b>	<b>(349.6)</b>	<b>(334.8)</b>	<b>(273.4)</b>	<b>(440.6)</b>
Net Cash flow	72.8	317.1	22.2	56.1
Opening Cash	44.1	116.9	434.0	456.2
<b>Closing Cash</b>	<b>116.9</b>	<b>434.0</b>	<b>456.2</b>	<b>512.3</b>

Source: Company, ICICI Direct Research

**Exhibit 9: Balance Sheet** ₹ crore

(Year-end March)	FY20	FY21A	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	11.2	11.2	11.2	11.2
Reserve and Surplus	808.7	873.7	1,029.8	1,250.5
Total Shareholders funds	819.9	884.9	1,040.9	1,261.7
Total Debt	26.8	0.0	45.0	45.0
Deferred Tax Liability	0.2	0.2	0.2	0.2
Other long term liabilities	147.6	135.3	136.6	138.0
<b>Total Liabilities</b>	<b>994.5</b>	<b>1,020.4</b>	<b>1,222.7</b>	<b>1,444.9</b>
<b>Assets</b>				
Gross Block	417.9	435.5	495.5	555.5
Less: Acc Depreciation	120.2	149.2	188.8	232.7
Net Block	297.7	286.3	306.7	322.8
Capital WIP	28.7	27.9	25.0	25.0
Intangible Assets	3.3	2.3	2.3	2.3
Total Fixed Assets	329.8	316.5	334.0	350.1
Investments	-	-	-	-
Inventory	718.6	554.9	732.5	904.5
Debtors	73.8	137.1	93.9	116.0
Loans and Advances	-	5.9	5.7	6.9
Cash	116.9	434.0	456.2	512.3
Total Current Assets	1,014.5	1,225.3	1,381.6	1,633.0
Sundry Creditors	93.8	217.5	187.8	231.9
Current Liabilities	397.3	442.2	443.2	444.2
Provisions	27.3	20.0	20.2	20.4
Total Current Liabilities	518.5	679.7	651.2	696.5
Net Current Assets	496.1	545.6	730.4	936.5
Other Non-current Assets	168.7	158.3	158.3	158.3
<b>Application of Funds</b>	<b>994.5</b>	<b>1,020.4</b>	<b>1,222.7</b>	<b>1,444.9</b>

Source: Company, ICICI Direct Research

**Exhibit 10: Key ratios**

(Year-end March)	FY20	FY21A	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	307.7	305.3	399.7	565.5
Cash EPS	362.7	361.7	462.1	633.5
BV	735.1	793.3	933.2	1,131.2
DPS	202.0	250.0	259.8	367.6
Cash Per Share	104.8	389.1	409.0	459.3
<b>Operating Ratios</b>				
EBITDA Margin (%)	18.1	18.6	19.6	21.9
PBT Margin (%)	15.7	16.0	17.4	19.9
PAT Margin (%)	11.7	12.0	13.0	14.9
Inventory days	89.0	71.5	78.0	78.0
Debtor days	9.1	17.7	10.0	10.0
Creditor days	11.6	28.0	20.0	20.0
<b>Return Ratios (%)</b>				
RoE	41.9	38.5	42.8	50.0
RoCE	55.7	52.4	55.4	65.0
<b>Valuation Ratios (x)</b>				
P/E	105.5	106.3	81.2	57.4
EV / EBITDA	67.8	67.9	53.3	38.6
EV / Net Sales	12.3	12.6	10.4	8.4
Market Cap / Sales	12.3	12.8	10.6	8.6
Price to Book Value	44.2	40.9	34.8	28.7
<b>Solvency Ratios</b>				
Debt/EBITDA	0.1	0.0	0.1	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.0	1.8	2.1	2.3
Quick Ratio	0.6	1.0	1.0	1.0

Source: Company, ICICI Direct Research

**Exhibit 11: ICICI Direct coverage universe (Retail)**

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EV/Sales (x)				P/E (x)				EV/EBITDA (x)				RoCE (%)				RoE (%)			
	(₹)	TP(₹)			FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Trent	900	1,100	Buy	31,993	9.5	12.8	8.6	6.0	274.2	-	280.5	108.6	60.9	193.2	59.4	39.4	15.9	4.3	15.0	22.6	5.1	-6.3	5.0	11.8
ABFRL	205	265	Buy	17,431	2.3	4.2	2.8	2.1	-	-	-	66.1	16.4	-	22.4	13.2	10.2	-8.9	3.2	17.8	-15.3	-25.5	-2.9	10.2
TCNS Clothing	560	700	Buy	3,465	3.0	5.4	3.2	2.4	67.5	-	53.9	29.6	42.6	-	32.1	17.9	10.6	-10.8	13.1	20.0	7.9	-8.1	9.7	14.9
Shoppers Stop	248	310	Buy	2,717	1.3	2.8	2.0	1.3	-	-	-	37.4	7.9	89.8	16.5	7.0	4.7	-14.8	-4.7	13.0	-103.1	-151.5	-477.9	71.1
Bata India	1,675	1,925	Buy	21,240	6.3	11.3	6.9	5.2	62.1	-	77.4	39.5	23.3	119.3	28.2	18.3	28.2	-5.9	20.4	32.7	17.2	-5.1	13.5	23.0
Titan Company	1,823	2,110	Buy	1,61,000	7.6	7.2	6.1	4.9	106.4	164.2	82.3	58.8	64.9	90.8	52.3	38.5	28.7	17.6	28.5	32.0	22.5	13.0	21.4	24.1
Relaxo Footwear	1,165	1,330	Buy	28,904	12.0	12.1	10.2	8.4	127.8	99.3	90.0	69.5	70.7	57.7	53.5	42.9	23.9	26.0	25.1	28.0	17.8	18.5	18.0	20.3
TTK Prestige	9,110	10,675	Buy	12,639	6.1	5.8	5.0	4.3	69.0	52.5	45.8	37.9	48.2	38.6	32.4	27.0	17.1	18.6	20.0	21.5	14.1	16.1	16.5	17.7
Page Industries	32,453	35,175	Hold	36,198	12.3	12.6	10.4	8.4	105.5	106.3	81.2	57.4	67.8	67.9	53.3	38.6	55.7	52.4	55.4	65.0	41.9	38.5	42.8	50.0
Avenue Supermarts	3,592	3,720	Hold	2,32,000	8.6	8.9	6.7	4.8	166.3	196.8	135.9	85.1	100.1	122.7	84.0	54.3	16.4	12.5	15.8	21.2	11.7	9.0	11.6	15.6
V-Mart	3,551	4,100	Buy	7,000	3.8	6.0	3.7	2.4	127.6	NA	174.1	58.9	29.4	48.8	30.1	18.5	27.0	6.0	13.6	23.6	10.7	-0.8	4.5	11.9

Source: Company, ICICI Direct Research

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ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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