

CMP: ₹ 39800

Target: ₹ 43850 (10%)

Target Period: 12 months

HOLD

November 12, 2021

## Enhanced distribution reach to aid revenue growth....

**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 100000+ MBOs and 1000+ EBOs. Page sold ~ 148 million pieces in FY21.

- Strong backward integration facilities having capacity of 250 million pieces
- Robust business model generating 55%+ RoCE, delivering consistent EBITDA margins of 20%+ and having debt free b/s

**Q2FY22 Results:** Page reported a robust operational performance in Q2FY22 with revenues coming in at an all-time high and crossing the ₹ 1000 crore mark.

- Revenue for the quarter grew 46% YoY to ₹ 1084.0 crore (two-year CAGR: 18%). Volume grew 43.6% YoY to 56.6 million pieces
- Despite RM inflationary pressure, the company has been able to maintain healthy EBITDA margins of 21.5% (Q2FY21: 22.3%)
- Tracking healthy operational performance, PAT grew 45% YoY to ₹ 160.5 crore. Liquidity position remains robust with cash worth ₹ 536 crore

**What should investors do?** Page's share price has grown by ~3x over the past five years (from ~₹ 13200 in November 2016 to ~₹ 40000 levels in November 2021).

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

**Target Price and Valuation:** We value Page at ₹ 43850 i.e. 63x FY23E EPS

### Key triggers for future price performance:

- New initiatives (focus on kids wear segment, implementation of auto replenishment system, new launches in athleisure/women wear, thrust on increasing penetration in rural areas) to propel sales and earnings growth
- Significantly accelerated its distribution touchpoints (13950 in Q2FY22) to 100000+ MBOs and 1000+ EBO stores
- To further penetrate the untapped markets of tier III/IV cities, it has launched a bouquet of products catering to these markets
- Expects to sustain healthy revenue trajectory. The company is aiming to reach sales of US\$1 billion by FY26 (CAGR: 21%)
- We build revenue, earnings CAGR of 21%, 31%, respectively, in FY21-24E

**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 ₹ 350/share

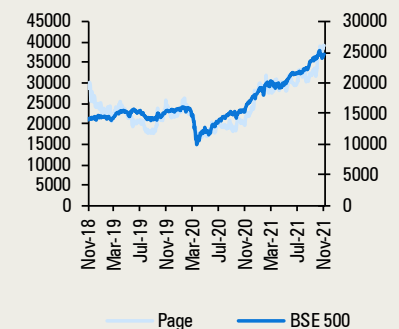
### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	44,392.4
Debt (FY21) (₹ Crore)	-
Cash (FY21) (₹ Crore)	434.0
EV (₹ Crore)	43,958.4
52 week H/L	40500 / 21492
Equity Capital (₹ Crore)	11.2
Face Value (₹)	10.0

### Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	48.3	48.3	48.3	47.9	47.9
FII	25.2	25.3	25.9	23.6	23.7
DII	15.5	14.8	15.5	18.0	18.8
Others	10.9	11.6	10.3	10.5	9.6

### Price Chart



### Key risks

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

### Research Analyst

Bharat Chhoda  
bharat.chhoda@icicisecurities.com

Cheragh Sidhwa  
cheragh.sidhwa@icicisecurities.com

### Key Financial Summary

Financials	FY20	FY21A	5 Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR (FY21-24E)
Net Sales	2,945.4	2,833.0	9.5%	3,557.6	4,387.6	5,088.4	21.6%
EBITDA	532.6	526.6	7.0%	688.8	952.2	1,126.4	28.8%
PAT	343.2	340.6	8.0%	458.6	649.6	776.3	31.6%
P/E (x)	129.3	130.3		96.8	68.3	57.2	
EV/Sales (x)	15.0	15.5		12.4	10.0	8.6	
EV/EBITDA (x)	83.2	83.5		63.9	46.2	38.9	
RoCE (%)	55.7	52.4		56.6	66.2	65.3	
RoE (%)	41.9	38.5		43.9	51.0	50.3	

## Key takeaways of recent quarter & conference call highlights

- Revenue for the quarter grew 46% YoY to ₹ 1084.0 crore (I-direct estimate: ₹ 895 crore). The robust trajectory could be partially attributed to favourable base (5% de-growth in previous year). However, two-year CAGR remains impressive at 18.2%. The growth was mainly driven by healthy volumes (up 43.6% YoY to 56.6 million pieces). Growth was broad based with healthy recovery witnessed across all segments (men's, women athleisure and kids). Average realisations grew 2% YoY to ₹ 192/piece
- On account of higher RM prices, gross margins declined 65 bps YoY to 54.8% (I-direct estimate: 57.1%). However, on account of better than estimated sales growth (positive operating leverage), EBITDA margins came in higher than our estimates at 21.5% (I-direct estimate: 20.4%, Q2FY21: 22.3%). Other expenses grew 59% YoY on the back of higher marketing spends and increase in freight expenses

### Q2FY22 Earnings conference call highlights:

- The company's products are witnessing strong demand. The management expects the trend to continue. Page is striving to increase capacities to meet the enhanced demand. All its channels are fully operational and the company is witnessing increased momentum in sales across all product categories backed by expansion in its product portfolio and existing network
- Among product categories, all products have shown strong growth. Menswear has grown well while athleisure and womenswear have grown at a faster rate. Kids wear has been the focus area of the company and the company has opened 51 exclusive brand outlets (EBOs) of 'Jockey Junior'. The company has also appointed separate channel partners for the kids wear segment. Page also believes there is huge growth potential for women's innerwear and has aggressive expansion plans for the category. The company has created a separate identity of Jockey Women for the women's category and is planning to expand the women's product portfolio
- On the distribution network front, the company believes there is huge potential for expanding into rural and Tier III, IV towns. The company has expanded its multi brand outlet (MBO) distribution reach by more than 60% during the pandemic (from 65000 outlets to 100000 outlets). More than 50% of the MBOs have been added in the tier III and IV towns. The management indicated that strategically it was planning to go closer to the customer. Over the next four to five years the management believes that there is scope to double the MBO outlets to ~ 200000.
- The company has crossed the 1000 EBO mark and has a presence in only 350 cities. The management indicated that it usually aims to add 150-200 EBOs annually and there is enough scope to double the EBO presence to ~2000 outlets over the next five years
- On the production capacity front, the company currently has a capacity of 250 million pieces and is operating at a capacity utilisation of 80%. Page is targeting to expand its production capacity to 420 million pieces over the next three years
- On the capex front, the capex in H1FY22 has been lower than usual owing to the pandemic. The management is planning to accelerate the capex intensity in H2FY22 to increase the production capacities to meet the enhanced demand
- The management had taken a 4-5% price hike in Q1FY22 and has been able to maintain EBITDA margin above 20% in Q2FY22 through its stringent cost control measures. It is closely monitoring the raw material prices and will decide on future price hike based on the movement in raw material prices

Exhibit 1: Variance Analysis

	Q2FY22	Q2FY22E	Q1FY21	YoY (%)	Q1FY22	QoQ (%)	Comments
Revenue	1,084.0	893.9	284.8	280.6	501.5	116.1	Growth mainly driven by enhanced distribution network and focus on new categories such as athleisure and kids wear
Other income	5.4	3.7	6.1	-11.4	3.6	39.7	
Employee Expense	176.8	164.5	122.9	43.9	152.7	15.8	
Raw Material Expense	489.9	383.5	147.8	231.4	212.0	131.1	GM contraction contained (down 65 bps YoY) despite higher raw material inflation
SG&A Expenses	183.9	163.6	48.8	276.7	102.6	79.2	
EBITDA	233.4	182.4	-34.7	-772.5	34.2	582.6	
EBITDA Margin (%)	21.5	20.4	-12.2	3372 bps	6.8	1472 bps	Positive operating leverage resulted in healthy EBITDA margins
Depreciation	16.5	16.2	16.0	3.0	15.9	3.9	
Interest	7.5	7.5	7.7	-2.9	7.4	1.4	
PBT	214.8	162.4	-52.4	-510.2	14.5	1,381.0	
Tax Outgo	54.3	40.9	-12.8	-523.8	3.6	1,421.8	
PAT	160.5	121.5	-39.6	-505.8	10.9	1,367.7	

Source: Company, ICICI Direct Research

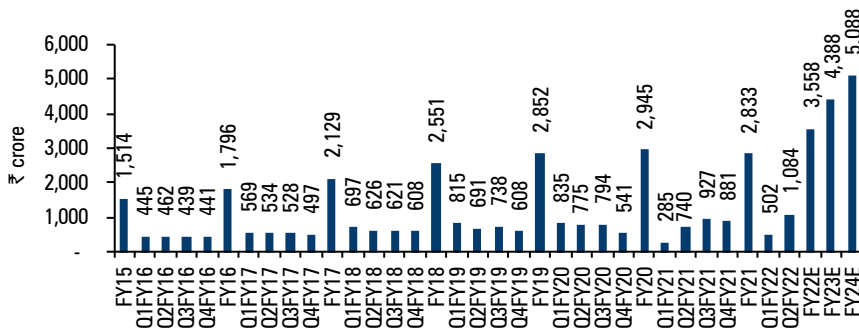
Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E
	Old	New	% Change	Old	New	% Change	Introduced
Revenue	3,427.8	3,557.6	3.8	4,232.6	4,387.6	3.7	5,088.4
EBITDA	671.2	688.8	2.6	924.9	952.2	3.0	1,126.4
EBITDA margin (%)	19.6	19.4	-22 bps	21.9	21.7	-15 bps	22.1
PAT	445.8	458.6	2.9	630.8	649.6	3.0	776.3
EPS (₹)	399.7	411.1	2.9	565.5	582.4	3.0	696.0

Source: Company, ICICI Direct Research

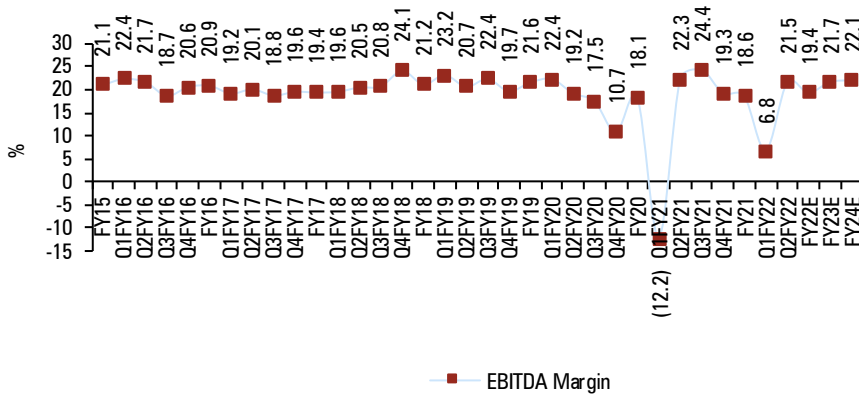
## Financial story in charts

Exhibit 3: Revenue trend



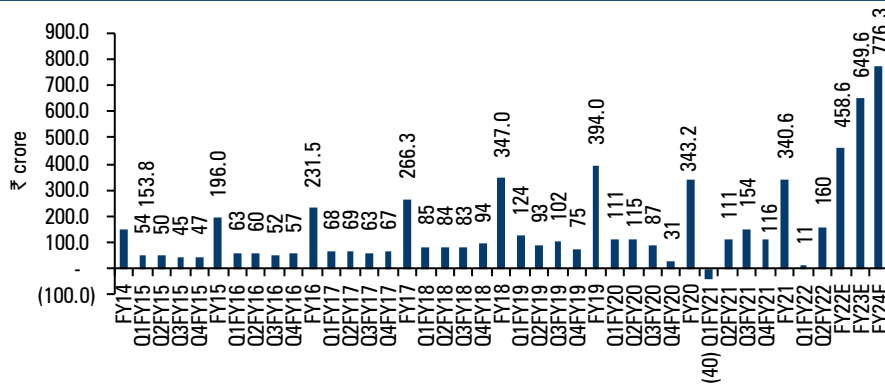
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 5: Net Profit trend



Source: Company, ICICI Direct Research

Exhibit 6: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	2945.4	3.3	307.7	-12.9	129.3	83.2	41.9	55.7
FY21	2833.0	-3.8	305.3	-0.8	130.3	83.5	38.5	52.4
FY22E	3557.6	25.6	411.1	34.6	96.8	63.9	43.9	56.6
FY23E	4387.6	23.3	582.4	41.7	68.3	46.2	51.0	66.2
FY24E	5088.4	16.0	696.0	19.5	57.2	38.9	50.3	65.3

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Total operating Income</b>	<b>2,833.0</b>	<b>3,557.6</b>	<b>4,387.6</b>	<b>5,088.4</b>
Growth (%)	(3.8)	25.6	23.3	16.0
Raw Material Expenses	1,263.9	1,591.6	1,930.4	2,247.2
Employee Expenses	563.8	640.4	737.1	829.4
Other Expenses	478.7	636.8	767.8	885.4
Total Operating Expenditure	2,306.4	2,868.8	3,435.4	3,962.0
<b>EBITDA</b>	<b>526.6</b>	<b>688.8</b>	<b>952.2</b>	<b>1,126.4</b>
Growth (%)	(1.1)	30.8	38.2	18.3
Depreciation	62.9	71.2	79.2	88.8
EBIT	463.7	617.6	873.0	1,037.7
Growth (%)	(1.6)	33.2	41.4	18.9
Interest	29.7	33.0	40.5	41.5
Other Income	19.5	28.5	36.0	41.7
PBT	453.4	613.1	868.5	1,037.9
Growth (%)	(1.9)	35.2	41.7	19.5
Total Tax	112.8	154.5	218.9	261.5
<b>PAT</b>	<b>340.6</b>	<b>458.6</b>	<b>649.6</b>	<b>776.3</b>
Growth (%)	(0.8)	34.6	41.7	19.5
<b>EPS (₹)</b>	<b>305.3</b>	<b>411.1</b>	<b>582.4</b>	<b>696.0</b>

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after tax	340.6	458.6	649.6	776.3
Add: Depreciation	62.9	71.2	79.2	88.8
(Inc)/dec in Current Assets	106.4	(136.2)	(206.8)	(166.8)
Inc/(dec) in CL and Provisions	161.2	(21.4)	46.7	39.6
Others	-	-	-	-
<b>CF from operating activities</b>	<b>671.0</b>	<b>372.2</b>	<b>568.8</b>	<b>737.9</b>
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(20.0)	(80.0)	(90.0)	(80.0)
(Inc)/dec in CWIP	0.9	2.9	-	-
Others	-	-	-	-
<b>CF from investing activities</b>	<b>(19.1)</b>	<b>(77.2)</b>	<b>(90.0)</b>	<b>(80.0)</b>
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(26.8)	45.0	-	-
Others	(308.0)	(326.7)	(452.9)	(539.2)
<b>CF from financing activities</b>	<b>(334.8)</b>	<b>(281.8)</b>	<b>(452.9)</b>	<b>(539.2)</b>
Net Cash flow	317.1	13.3	25.9	118.7
Opening Cash	116.9	434.0	447.4	473.2
<b>Closing Cash</b>	<b>434.0</b>	<b>447.4</b>	<b>473.2</b>	<b>591.9</b>

Source: Company, ICICI Direct Research

Exhibit 9: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	11.2	11.2	11.2	11.2
Reserve and Surplus	873.7	1,034.2	1,261.6	1,533.3
Total Shareholders funds	884.9	1,045.4	1,272.7	1,544.5
Total Debt	0.0	45.0	45.0	45.0
Deferred Tax Liability	0.2	0.2	0.2	0.2
Other long term liabilities	135.3	136.6	138.0	139.4
<b>Total Liabilities</b>	<b>1,020.4</b>	<b>1,227.2</b>	<b>1,455.9</b>	<b>1,729.0</b>
<b>Assets</b>				
Gross Block	435.5	515.5	605.5	685.5
Less: Acc Depreciation	149.2	190.4	237.6	290.4
Net Block	286.3	325.1	367.9	395.1
Capital WIP	27.9	25.0	25.0	25.0
Intangible Assets	2.3	2.3	2.3	2.3
Total Fixed Assets	316.5	352.4	395.2	422.4
Investments	-	-	-	-
Inventory	554.9	731.0	913.6	1,059.5
Debtors	137.1	97.5	120.2	139.4
Loans and Advances	5.9	5.7	7.1	8.8
Cash	434.0	447.4	473.2	591.9
Total Current Assets	1,225.3	1,374.8	1,607.5	1,892.9
Sundry Creditors	217.5	194.9	240.4	278.8
Current Liabilities	442.2	443.2	444.2	445.2
Provisions	20.0	20.2	20.4	20.6
Total Current Liabilities	679.7	658.3	705.0	744.6
Net Current Assets	545.6	716.5	902.5	1,148.4
Other Non-current Assets	158.3	158.3	158.3	158.3
<b>Application of Funds</b>	<b>1,020.4</b>	<b>1,227.2</b>	<b>1,455.9</b>	<b>1,729.0</b>

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	305.3	411.1	582.4	696.0
Cash EPS	361.7	475.0	653.4	775.6
BV	793.3	937.2	1,141.1	1,384.7
DPS	250.0	267.2	378.6	452.4
Cash Per Share	389.1	401.1	424.3	530.7
<b>Operating Ratios</b>				
EBITDA Margin (%)	18.6	19.4	21.7	22.1
PBT Margin (%)	16.0	17.2	19.8	20.4
PAT Margin (%)	12.0	12.9	14.8	15.3
Inventory days	71.5	75.0	76.0	76.0
Debtor days	17.7	10.0	10.0	10.0
Creditor days	28.0	20.0	20.0	20.0
<b>Return Ratios (%)</b>				
RoE	38.5	43.9	51.0	50.3
RoCE	52.4	56.6	66.2	65.3
<b>Valuation Ratios (x)</b>				
P/E	130.3	96.8	68.3	57.2
EV / EBITDA	83.5	63.9	46.2	38.9
EV / Net Sales	15.5	12.4	10.0	8.6
Market Cap / Sales	15.7	12.5	10.1	8.7
Price to Book Value	50.2	42.5	34.9	28.7
<b>Solvency Ratios</b>				
Debt/EBITDA	0.0	0.1	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.8	2.1	2.3	2.5
Quick Ratio	1.0	1.0	1.0	1.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

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

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