

Volume growth tapers down on high base...

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 118123+ MBOs and 1191+ EBOs. Sold ~ 190 million pieces in FY22.

- Strong backward integration facilities having capacity of 260 million pieces
- Robust business model generating 66%+ RoCE, delivering consistent EBITDA margins of 20%+ and having debt free b/s.

Q2FY23 Results: Page reported a subdued operational performance wherein revenues were in line with our estimates (mainly driven by realisations) while higher than expected investments in opex led margins to come in a tad below Page's guided band of 20-22% (19%)

- Revenue for the quarter grew 16% YoY to ₹ 1255.0 crore. Growth was mainly realisation led, which increased 15% YoY to ₹ 220/piece. Volume grew merely by 1% YoY to 57.2 million pieces as previous quarter had healthy volumes of mask. Excluding the same, volumes in core category grew 7% YoY
- Page accelerated spends towards marketing expenses and manpower cost (building capacity). Subsequently, EBITDA margins declined 258 bps YoY to 19.0%. Ensuing PAT grew 1% YoY to ₹ 162.1 crore

What should investors do? Page's share price has grown ~2.0x in past five years.

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

Target Price and Valuation: We value Page at ₹ 51770 i.e. 66x FY24E EPS.

Key triggers for future price performance:

- New initiatives (focus on kids wear segment, new launches in athleisure/women wear and thrust on increasing penetration in rural areas) to propel sales and earnings growth
- Significantly accelerated its distribution touchpoints (added 32548 outlets in FY22) to 118123+ MBOs and 1191+ 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 aims to reach sales of US\$1 billion by FY26 (CAGR: ~18%)
- We build in revenue, earning CAGR of 24%, 27%, respectively, in FY22-24E

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 target price of ₹ 380/share



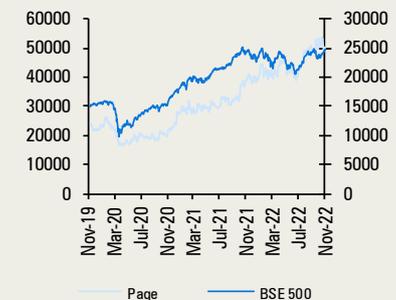
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	53,110.3
Debt (FY22) (₹ Crore)	-
Cash (FY22) (₹ Crore)	283.5
EV (₹ Crore)	52,826.8
52 week H/L	54349 / 36090
Equity Capital (₹ Crore)	11.2
Face Value (₹)	10.0

Shareholding pattern

	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	47.9	47.2	47.2	46.1	46.1
FII	23.7	25.1	25.2	25.2	25.3
DII	18.8	18.0	17.7	18.8	19.5
Others	9.6	9.8	9.9	9.9	9.1

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	FY21	FY22	5 Year CAGR (FY17-22)	FY23E	FY24E	2 Year CAGR (FY22-24E)
Net Sales	2,945.4	2,833.0	3,886.5	12.7%	5,185.7	6,037.8	24.6%
EBITDA	532.6	526.6	785.5	14.0%	1,064.2	1,269.8	27.1%
PAT	343.2	340.6	536.5	15.0%	726.5	874.9	27.7%
P/E (x)	154.7	155.9	99.0		73.1	60.7	
EV/Sales (x)	18.0	18.6	13.6		10.2	8.7	
EV/EBITDA (x)	99.6	100.0	67.3		49.8	41.6	
RoCE (%)	55.7	52.4	66.1		67.5	63.7	
RoE (%)	41.9	38.5	49.3		51.3	48.4	

Key takeaways of recent quarter & conference call highlights

- Revenue for the quarter grew 16% YoY to ₹ 1255.0 crore (I-direct estimate: ₹ 1252.7 crore, three-year CAGR: 17%). The growth was mainly realisation led, which increased by 15% YoY to ₹ 220/piece. Volume grew merely by 1% YoY to 57.2 million pieces as previous quarter had healthy volumes of mask. Excluding the same, volumes in core category grew 7% YoY. The underlying growth (excluding masks) was at ~20%. The growth was broad based across all segments (men's, women's athleisure and kids). Athleisure segment continued its steady growth momentum. However, growth has relatively slowed down owing to re-opening of offices. The company continued to enhance its distribution touchpoints, wherein it added 4408 taking the total count to 118123 touchpoints (~2x vs. pre-Covid levels). Page also added 47 new exclusive outlets taking the total count to 1191+ EBOs. The management indicated that demand continues to be healthy across product categories while recently added distribution points have given strong feedback with ~80% repeat orders
- Despite pressure on raw materials (cotton yarn), calibrated price hikes and better inventory management led to gross margins expanding by 100 bps YoY at 55.8% (I-direct estimate: 54.7%). However, benefits of higher gross profits were negated as the company accelerated spends towards marketing expenses and manpower cost. Employee and other expenses grew 30% and 26% YoY, respectively. Subsequently, EBITDA margins declined 258 bps YoY to 19.0% (I-direct estimate: 21%). Absolute EBITDA grew 2% YoY to ₹ 237.9 crore (I-direct estimate: ₹ 266.8 crore)
- The company continues to invest in building capacity and warehouses with guided capex of ₹ 250 crore in FY23 as it believes that its products have huge growth potential. It wants to be ready to capture the long term opportunity. Accelerated distribution touchpoints with higher focus on tier III/IV regions and healthy traction in segments such as athleisure and Jockey Kids & women would be the key growth drivers, going forward. The management has reiterated its guidance of achieving 20-22% EBITDA margins in H2FY23 with decline in raw material expenses (cotton) along with easing of freight rates. We broadly maintain our estimates and bake in revenue and earnings CAGR of 24% and 27%, respectively, in FY22-24E

Q2FY23 Earnings conference call highlights:

- On the demand front, the management highlighted that all its product categories and channels witnessed growth and the company was able to report all time high Q2 revenues in Q2FY23. Among categories, the management highlighted that even after back to office, athleisure continues to grow though at a slower pace than the pandemic period. Also modern trade channel has been performing well for the company. The management believes that athleisure is a huge opportunity as it has low penetration and the company is looking to tap the same over the longer term
- On the EBO addition front, the company added 60 EBOs in H1FY23 (47 in Q2FY23) with total EBOs now at 1191 outlets present in 408 cities. Another channel that the company has been focusing on has large format stores. The company is now present with 22 LFS partners with a presence in 2741 stores
- The management highlighted that it was spending on capacity building and enhancing supply chain capabilities (investment in warehouse) as it believes that its products have huge growth potential. It wants to be ready to capture the long term opportunity
- In spite of a lower EBITDA margin at 19% in Q2FY23, the management appeared confident that the EBITDA margin trajectory would revert to 20%-22% in the next two quarters as the raw material costs had declined along with easing of freight rates and supply chain issues

- On new initiatives, the management highlighted that it is looking at expanding its presence in the Gulf region and has already opened an outlet in Dubai. Page is particularly focusing on Dubai and investing along with local partners. The company does not plan to set up a manufacturing unit in Dubai and would supply the products from the Indian manufacturing units. Page believes that setting up manufacturing operations in Dubai is not viable owing to absence of raw material base in that region and significantly higher labour costs
- On the capex front, the management indicated that it has spent ~₹ 90 crore in H1FY23 and would spend around ₹ 250+ crore in FY23. The expenditure would be mainly to increase capacity. Also, the management is looking to invest in building digital technological capabilities to improve overall business efficiencies. For FY24, the management guided that the capex would be ~₹ 250+ crore
- On the cotton price outlook front, the management indicated that cotton prices have softened. It expects cotton prices to be lower than last year, which would enable it to maintain its margin profile in the average range of 20-22%
- The advertisement expense in Q2FY23 was ~ ₹ 44 crore (3.5% of sales). For H2FY23, the company is planning to maintain advertisement expense in the range of 3-4%

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	1,255.0	1,252.7	1,084.0	15.8	1,341.3	-6.4	Revenue growth broadly in-line with estimates. Underlying revenue growth (excluding masks) stood at 20% YoY. Volumes grew by 1% YoY (excluding masks 7%)
Other income	2.7	3.5	5.4	-50.2	3.3	39.7	
Employee Expense	230.1	206.7	176.8	30.1	216.0	6.5	
Raw Material Expense	555.1	567.5	489.9	13.3	610.2	-9.0	Despite pressure on raw materials (cotton yarn), calibrated price hikes and better inventory management led to gross margins expanding by 100 bps YoY at 55.8%
SG&A Expenses	232.0	211.7	183.9	26.1	217.3	6.8	
EBITDA	237.9	266.8	233.4	1.9	297.8	-20.1	
EBITDA Margin (%)	19.0	21.3	21.5	-258 bps	22.2	-325 bps	Benefits of higher gross profits were negated as company accelerated spends towards marketing expenses and manpower cost.
Depreciation	18.8	18.4	16.5	13.9	18.0	4.5	
Interest	9.2	8.7	7.5	23.0	8.5	7.4	
PBT	212.6	243.2	214.8	-1.1	274.6	-22.6	
Tax Outgo	50.4	61.2	54.3	-7.2	67.5	-25.3	
PAT	162.1	182.0	160.5	1.0	207.1	-21.7	

Source: Company, ICICI Direct Research

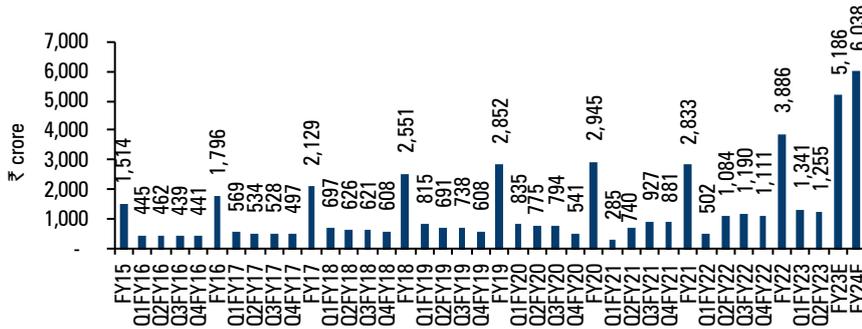
Exhibit 2: Change in estimates

(₹ Crore)	FY22	FY23E			FY24E		
	Actual	Old	New	% Change	Old	New	% Change
Revenue	3,886.5	5,169.1	5,185.7	0.3	6,018.3	6,037.8	0.3
EBITDA	785.5	1,092.3	1,064.2	-2.6	1,290.4	1,269.8	-1.6
EBITDA margin (%)	20.2	21.1	20.5	-61 bps	21.4	21.0	-41 bps
PAT	536.5	747.6	726.5	-2.8	890.2	874.9	-1.7
EPS (₹)	481.0	670.2	651.4	-2.8	798.1	784.4	-1.7

Source: Company, ICICI Direct Research

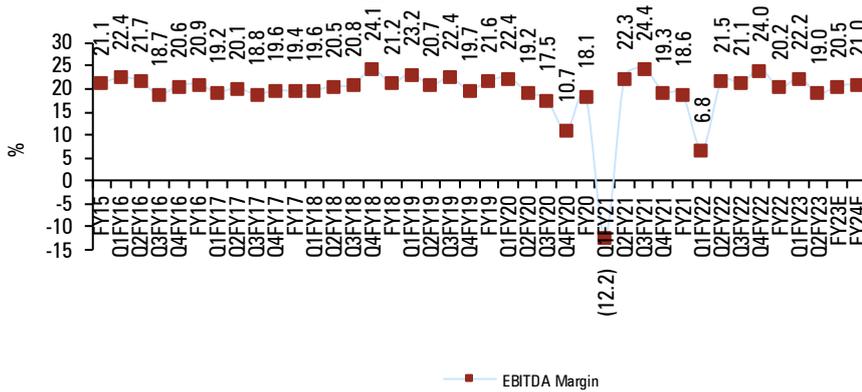
Financial story in charts

Exhibit 3: Revenue trend



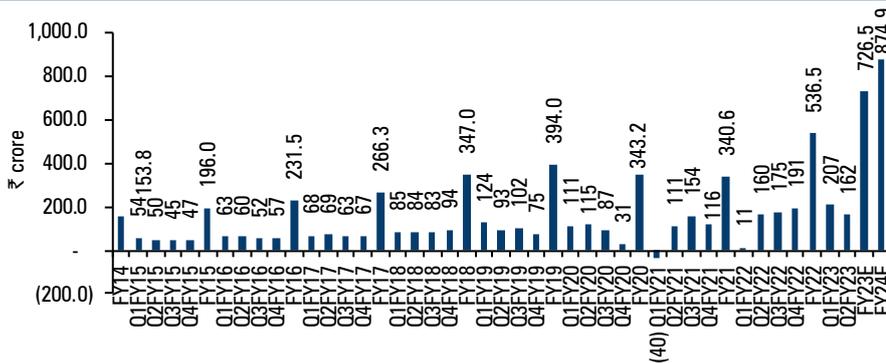
Source: Company, ICICI Direct Research

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	154.7	99.6	41.9	55.7
FY21	2833.0	-3.8	305.3	-0.8	155.9	100.0	38.5	52.4
FY22	3886.5	37.2	481.0	57.5	99.0	67.3	49.3	66.1
FY23E	5185.7	33.4	651.4	35.4	73.1	49.8	51.3	67.5
FY24E	6037.8	16.4	784.4	20.4	60.7	41.6	48.4	63.7

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total operating Income	2,833.0	3,886.5	5,185.7	6,037.8
Growth (%)	(3.8)	37.2	33.4	16.4
Raw Material Expenses	1,263.9	1,709.0	2,314.3	2,700.1
Employee Expenses	563.8	720.1	897.1	1,026.4
Other Expenses	478.7	671.9	910.1	1,041.5
Total Operating Expenditure	2,306.4	3,101.0	4,121.5	4,768.0
EBITDA	526.6	785.5	1,064.2	1,269.8
Growth (%)	(1.1)	49.2	35.5	19.3
Depreciation	62.9	65.5	78.3	88.9
EBIT	463.7	720.0	985.9	1,181.0
Growth (%)	(1.6)	55.3	36.9	19.8
Interest	29.7	32.2	40.5	41.5
Other Income	19.5	21.0	25.9	30.2
PBT	453.4	708.8	971.3	1,169.6
Growth (%)	(1.9)	56.3	37.0	20.4
Total Tax	112.8	172.2	244.8	294.8
PAT	340.6	536.5	726.5	874.9
Growth (%)	(0.8)	57.5	35.4	20.4
EPS (₹)	305.3	481.0	651.4	784.4

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after tax	340.6	536.5	726.5	874.9
Add: Depreciation	62.9	65.5	78.3	88.9
(Inc)/dec in Current Assets	106.4	(515.5)	(124.4)	(146.5)
Inc/(dec) in CL and Provisions	161.2	219.2	(83.1)	47.9
Others	-	-	-	-
CF from operating activities	671.0	305.8	597.4	865.1
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(20.0)	(58.7)	(350.0)	(120.0)
(Inc)/dec in CWIP	0.9	(37.4)	10.3	5.0
Others	-	18.7	-	-
CF from investing activities	(19.1)	(77.4)	(339.7)	(115.0)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(26.8)	(0.0)	45.0	-
Others	(308.0)	(378.9)	(430.4)	(516.0)
CF from financing activities	(334.8)	(378.9)	(385.4)	(516.0)
Net Cash flow	317.1	(150.6)	(127.8)	234.1
Opening Cash	116.9	434.0	283.5	155.7
Closing Cash	434.0	283.5	155.7	389.8

Source: Company, ICICI Direct Research

Exhibit 9: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Liabilities				
Equity Capital	11.2	11.2	11.2	11.2
Reserve and Surplus	873.7	1,077.5	1,404.4	1,798.1
Total Shareholders funds	884.9	1,088.6	1,415.6	1,809.3
Total Debt	0.0	-	45.0	45.0
Deferred Tax Liability	0.2	2.2	2.2	2.2
Other long term liabilities	135.3	117.2	118.4	119.6
Total Liabilities	1,020.4	1,208.0	1,581.1	1,976.0
Assets				
Gross Block	435.5	491.4	841.4	961.4
Less: Acc Depreciation	149.2	182.0	228.3	281.1
Net Block	286.3	309.4	613.1	680.2
Capital WIP	27.9	65.3	55.0	50.0
Intangible Assets	2.3	2.0	2.0	2.0
Total Fixed Assets	316.5	376.6	670.1	732.2
Investments	-	-	-	-
Inventory	554.9	974.9	1,136.6	1,257.2
Debtors	137.1	165.1	142.1	165.4
Loans and Advances	5.9	22.1	7.8	10.4
Cash	434.0	283.5	155.7	389.8
Total Current Assets	1,225.3	1,590.2	1,586.7	1,967.4
Sundry Creditors	217.5	362.8	284.1	330.8
Current Liabilities	442.2	510.3	511.3	512.3
Provisions	20.0	25.8	20.4	20.6
Total Current Liabilities	679.7	898.9	815.8	863.7
Net Current Assets	545.6	691.3	770.9	1,103.7
Other Non-current Assets	158.3	140.1	140.1	140.1
Application of Funds	1,020.4	1,208.0	1,581.1	1,976.0

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	305.3	481.0	651.4	784.4
Cash EPS	361.7	539.7	721.6	864.1
BV	793.3	976.0	1,269.1	1,622.1
DPS	250.0	300.0	358.3	431.4
Cash Per Share	389.1	254.1	139.5	349.4
Operating Ratios				
EBITDA Margin (%)	18.6	20.2	20.5	21.0
PBT Margin (%)	16.0	18.2	18.7	19.4
PAT Margin (%)	12.0	13.8	14.0	14.5
Inventory days	71.5	91.6	80.0	76.0
Debtor days	17.7	15.5	10.0	10.0
Creditor days	28.0	34.1	20.0	20.0
Return Ratios (%)				
RoE	61.1	73.0	70.0	66.0
RoCE	38.5	49.3	51.3	48.4
RoCE	52.4	66.1	67.5	63.7
Valuation Ratios (x)				
P/E	155.9	99.0	73.1	60.7
EV / EBITDA	100.0	67.3	49.8	41.6
EV / Net Sales	18.6	13.6	10.2	8.7
Market Cap / Sales	18.7	13.7	10.2	8.8
Price to Book Value	60.0	48.8	37.5	29.4
Solvency Ratios				
Debt/EBITDA	0.0	-	0.0	0.0
Debt / Equity	0.0	-	0.0	0.0
Current Ratio	1.8	1.8	1.9	2.3
Quick Ratio	1.0	0.7	0.6	0.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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