

Page Industries

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Macro/ARS-led weakness to persist in Q4; medium-term prospects remain healthy

Q3 EBITDA/PAT were 20-25% lower than estimates, owing to weaker margins. Revenue grew 3%, led by volume/realization growth of -11%/15% and EBITDA margin declined 530bps (vs. expectations of 180bps decline). Margin weakness was attributed to realization of high-cost inventory, lower factory utilization on weak volumes and higher employee/brand investments. Volume decline was led by lower primary billings on ARS implementation and subdued demand for Athleisure/masks. Q4 is also likely to be weak, with spill-over of the ARS impact and sluggish demand environment. While competitive intensity remains high, PAG denied any market-share loss and emphasized on retaining its strong medium-term growth outlook. Focus remains on cost savings till revival of demand. We cut FY23/24E EPS by 3-5%, on need of higher brand investments. Focus on women/athleisure categories and distribution expansion should help PAG to deliver mid-teen earnings growth over the medium term. We maintain BUY with revised TP of Rs48,800 (on unchanged multiple of 58x FY25E EPS).

Result summary: For Q3FY23, Page reported weak revenue growth of 3%, led by 11% volume decline and 15% improvement in realization. While secondary sales (consumer-level) were relatively better, ARS implementation led to lower primary billings during Q3. Among categories, the men's innerwear and women (brassiere) categories saw double-digit growth, while athleisure saw pressure due to a high base. In addition to realization of ~8% price hikes in Q3, a better revenue mix (women, non-masks) and premiumization are likely to have driven realization growth of ~15%. PAG expanded its MBO/EBO network by >8,000/97 in 9M and targets adding another 10-20K MBOs and 150-200 EBOs in the near term. EBITDA margin declined by 530bps YoY, owing to a ~200-bps decline in comparable gross margins (PPT) and higher employee/marketing investments. PAG expects margins to improve, given focus on cost savings and better utilization of own-facilities with lower outsourcing. Benefit of lower cost inventory should also accrue going ahead.

Earnings-call KTAs: 1) With ARS implementation in Q3, PAG was able to liquidate 7mn pieces of inventory at the distributor-end. Going ahead, PAG expects better correlation between primary and secondary sales, with ARS implementation. 2) PAG indicated shortened basket sizes and stronger traction for formals (vs. Athleisure) to have led to the sluggish demand. 3) Inventory days were higher at 105, due to lower primary billings and weaker-than-expected demand. However, PAG expects to reduce inventory levels to 75 days going ahead. 4) Inventory increased with distributors during the pandemic due to supply-chain bottlenecks. 5) PAG indicated that it has done better than competition, indicating to nil loss of market share. 6) Total capex for H2FY23 is expected to be Rs2.5bn. 7) PAG expects to start realizing the benefit of the lower-cost inventory in Q4. 8) PAG indicated that its vendors work with multiple partners and that it can in-house some of the outsourced production, to ensure better asset utilization. 9) Page expects ~24% tax rate for FY23. 5) Page targets adding 10-20k retail network outlets and 150-200 EBOs each year, for the next 2-3 years. 10) Company recently opened its 10th EBO in Dubai and anticipates huge growth potential in the Middle East, led by strong brand recognition among NRIs and improving traction with locals. 11) Management indicated softening of cotton/other input prices and stated that, further pricing actions in FY24 will depend upon movement of RM prices.

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	28,330	38,865	50,222	57,933	66,748
EBITDA	5,266	7,855	9,432	11,450	13,828
EBITDA Margin (%)	18.6	20.2	18.8	19.8	20.7
APAT	3,406	5,365	6,321	7,702	9,403
EPS (Rs)	305.3	481.0	566.7	690.5	843.0
EPS (% chg)	(0.8)	57.5	17.8	21.8	22.1
ROE (%)	40.0	54.4	48.8	44.0	40.8
P/E (x)	124.3	78.9	67.0	55.0	45.0
EV/EBITDA (x)	79.6	53.5	44.9	36.7	30.2
P/BV (x)	47.8	38.9	28.2	21.2	16.2

Source: Company, Emkay Research

CMP	Target Price
Rs 37,960 as of (February 9, 2023)	Rs 48,800 (▼) 12 months
Rating	Upside
BUY (■)	28.6 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	(8)/(6)
Target Price change (%)	(3.4)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	566.7	690.5
Consensus	649.8	777.3
Mean Consensus TP (12M)	Rs 49,189	

Stock Details

Bloomberg Code	PAG IN
Face Value (Rs)	10
Shares outstanding (mn)	11
52 Week H/L	54,349 / 37,651
M Cap (Rs bn/USD bn)	423 / 5.13
Daily Avg Volume (nos.)	21,277
Daily Avg Turnover (USD mn)	11.2

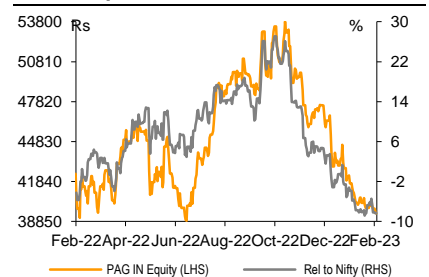
Shareholding Pattern Dec '22

Promoters	46.1%
FIIIs	24.7%
DIIIs	19.6%
Public and Others	9.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(8)	(23)	(22)	(11)
Rel. to Nifty	(7)	(22)	(24)	(13)

Relative price trend



Source: Bloomberg

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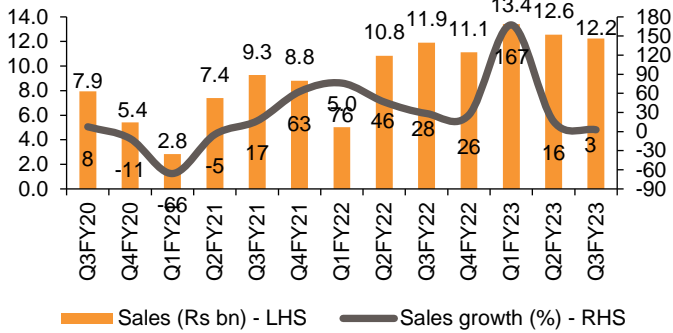
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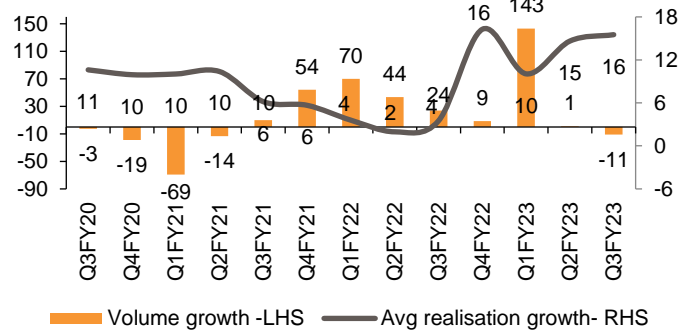
Story in Charts

Exhibit 1: Sales grew by 3% on YoY basis



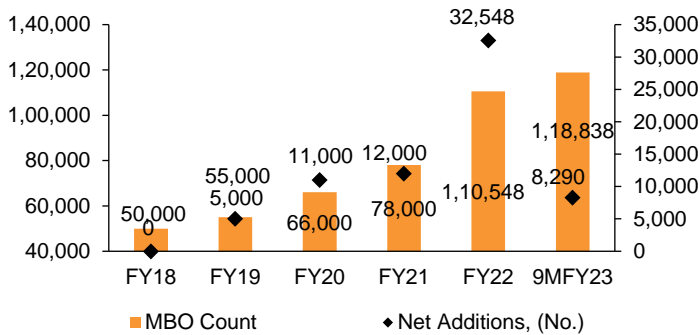
Source: Company, Emkay Research

Exhibit 2: Volume saw a decline of 11%, while realization grew at 16%



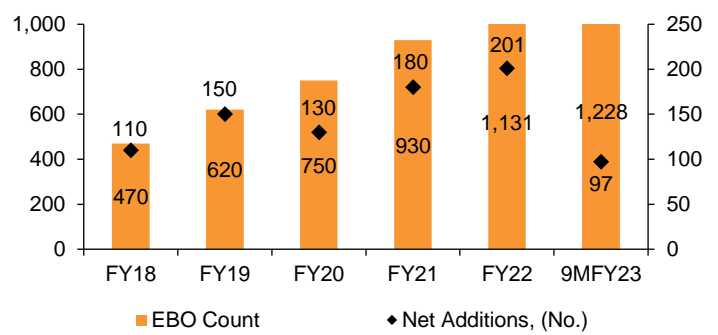
Source: Company, Emkay Research

Exhibit 3: MBO additions stood at 715 in Q3, taking the total number of MBOs to ~119k



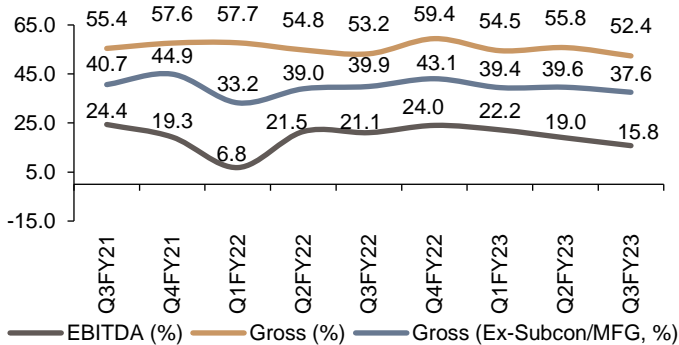
Source: Company, Emkay Research

Exhibit 4: EBO additions were 37/97 stores in Q3/9M, taking the total number of EBOs to 1.2k



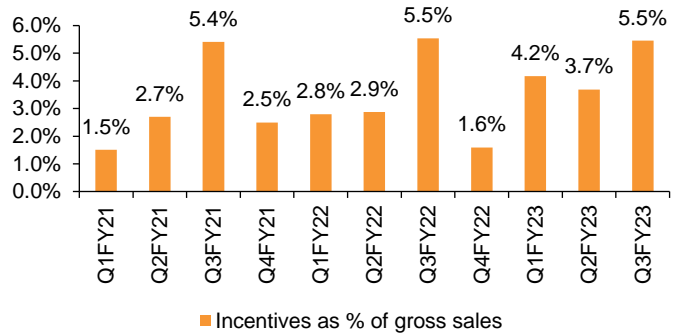
Source: Company, Emkay Research

Exhibit 5: EBITDA margin declined by 530bps, led by a 200-bps fall in gross margin (PPT), with the balance impact due to negative leverage



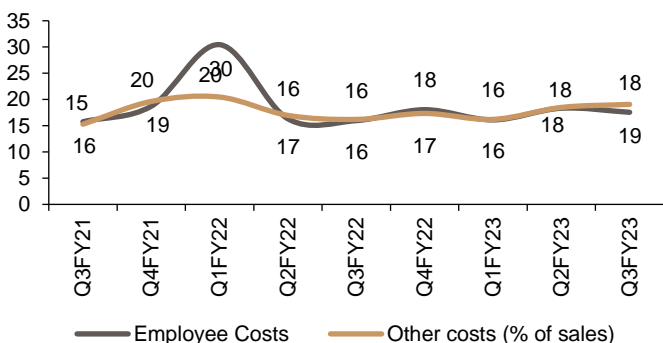
Source: Company, Emkay Research

Exhibit 6: Trade incentives were similar on YoY basis



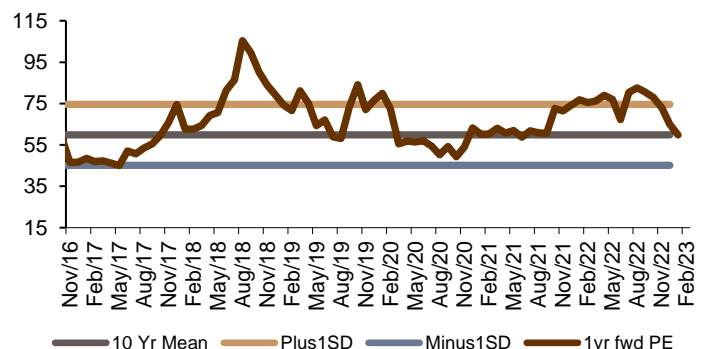
Source: Company, Emkay Research

Exhibit 7: Employee costs increased by 13% and other overheads grew 21% on YoY basis



Source: Company, Emkay Research

Exhibit 8: Page's 1-Year forward PE chart



Source: Company, Emkay Research

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Exhibit 9: Actual vs. Estimates (Q3FY23)

Rs mn	Actual	Estimates (Emkay)	Consensus Estimates	Variation		Comment
				Emkay	Consensus	
Revenues	12,233	12,385	12,867	-1.2%	-4.9%	Revenue was largely in line with our estimates
EBITDA	1,928	2,395	2,484	-19.5%	-22.4%	Decline in gross margin and negative leverage led to lower margins
EBITDA margin	15.8%	19.3%	19.3%	-358	-355	
APAT	1,237	1,615	1,686	-23.4%	-26.6%	Lower EBITDA led to lower PAT

Source: Company, Emkay Research

Exhibit 10: Quarterly performance (standalone)

Y/E, Mar (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)	FY22TD	FY23TD	Gr (%)
Operating Income	11,898	11,111	13,413	12,550	12,233	2.8	-2.5	27,754	38,195	37.6
Expenditure	9,391	8,440	10,435	10,172	10,305	9.7	1.3	22,570	30,911	37.0
Consumption of RM	5,563	4,508	6,102	5,551	5,825	4.7	4.9	12,582	17,477	38.9
as % of sales	46.8	40.6	45.5	44.2	47.6			45.3	45.8	
Employee Cost	1,900	2,006	2,160	2,301	2,148	13.0	-6.6	5,195	6,609	27.2
as % of sales	16.0	18.1	16.1	18.3	17.6			18.7	17.3	
Other expenditure	1,927	1,927	2,173	2,320	2,332	21.0	0.5	4,793	6,825	42.4
as % of sales	16.2	17.3	16.2	18.5	19.1			17.3	17.9	
EBITDA	2,507	2,671	2,978	2,379	1,928	-23.1	-19.0	5,184	7,284	40.5
Depreciation	167	164	180	188	200	19.5	6.1	491	568	15.6
EBIT	2,340	2,507	2,798	2,190	1,728	-26.2	-21.1	4,693	6,716	43.1
Other Income	71	49	33	27	16	-77.0	-38.6	161	76	-52.6
Interest	77	97	85	92	100	28.8	8.7	225	277	22.8
PBT	2,334	2,460	2,746	2,125	1,645	-29.5	-22.6	4,628	6,516	40.8
Total Tax	589	555	675	504	407	-30.8	-19.2	1,168	1,587	35.9
APAT	1,746	1,905	2,070	1,621	1,237	-29.1	-23.7	3,460	4,929	42.5
Minority Interest	0	0	0	0	0			0	0	
APAT (after minority)	1,746	1,905	2,070	1,621	1,237	-29.1	-23.7	3,460	4,929	42.5
Extraordinary Items	0	0	0	0	0			0	0	
Reported PAT	1,746	1,905	2,070	1,621	1,237	-29.1	-23.7	3,460	4,929	42.5
Adjusted EPS (Rs)	156.5	170.8	185.6	145.4	110.9	-29.1	-23.7	310	442	42.5

(%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	(bps)	(bps)	FY22TD	FY23TD	(bps)
Gross margin	53.2	59.4	54.5	55.8	52.4	-90	-340	54.7	54.2	-40
EBITDA margin	21.1	24.0	22.2	19.0	15.8	-530	-320	18.7	19.1	40
EBIT margin	19.7	22.6	20.9	17.5	14.1	-550	-330	16.9	17.6	70
EBT margin	19.6	22.1	20.5	16.9	13.4	-620	-350	16.7	17.1	40
PAT margin	14.7	17.1	15.4	12.9	10.1	-460	-280	12.5	12.9	40
Effective Tax rate	25.2	22.6	24.6	23.7	24.8	-40	100	25.2	24.4	-90

Source: Company, Emkay Research

Exhibit 11: Changes in estimates

Y/E Mar (Rs mn)	FY23E			FY24E			FY25E		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	50,990	50,222	(1.5)	58,827	57,933	(1.5)	67,791	66,748	(1.5)
EBITDA*	10,194	9,432	(7.5)	12,047	11,450	(5.0)	14,260	13,828	(3.0)
EBITDA Margin (%)	20.0	18.8	-120 bps	20.5	19.8	-70 bps	21.0	20.7	-30 bps
APAT	6,899	6,321	(8.4)	8,152	7,702	(5.5)	9,729	9,403	(3.3)
EPS (Rs)	618.5	566.7	(8.4)	730.8	690.5	(5.5)	872.2	843.0	(3.3)

Source: Company, Emkay Research; *Post-IndAS-116 EBITDA

Exhibit 12: Peer comparison

Companies	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA* (x)		
					FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
ABFRL	250	238	Buy	295	1.3	1.6	3.2	200.0	155.1	78.6	14.2	11.9	9.7
Jubilant FoodWorks	443	293	Hold	480	6.6	8.5	10.6	66.8	52.4	41.9	24.1	19.8	16.6
Page Industries	39,399	439	Buy	48,800	566.7	690.5	843.0	69.5	57.1	46.7	45.9	37.8	31.3
Titan Company	2,467	2,190	Buy	2,940	37.8	46.1	56.4	65.2	53.5	43.8	43.6	35.9	29.4
Westlife Development	693	108	Hold	810	7.9	10.3	12.9	87.9	67.2	53.5	26.5	22.3	18.8
TCNS Clothing	480	30	Hold	570	1.8	16.7	21.2	265.8	28.8	22.6	18.0	8.7	7.0
Devyani International	159	191	Buy	215	2.3	2.4	3.3	69.5	65.5	48.2	27.9	21.8	17.1
Sapphire Foods	1,258	80	Buy	1,620	19.8	31.7	37.7	63.4	39.6	33.4	16.9	12.8	9.9

Source: Company, Emkay Research; *Post-IndAS116 EBITDA

Exhibit 13: Page Industries – Growth construct of the business on the demand front

(Rs bn)	FY20	FY26E	FY35E	FY26E-35E
Men's Innerwear-Industry	138	225	537	10.2
Men's Innerwear-PAG	24	54	147	11.8
Market Share (%)	17.1	23.8	27.3	
Women Innerwear-Industry	319	616	1,714	12.0
Women Innerwear-PAG	11	25	142	21.3
Market Share (%)	3.3	4.0	8.3	
Athleisure-Industry	218	406	1,043	11.0
Athleisure-PAG	19	52	163	13.6
Market Share (%)	8.6	12.8	15.7	
Kids-Industry	638	1,044	2,662	11.0
Kids-PAG	3	10	47	18.9
Market Share (%)	0.4	0.9	1.8	
Total Industry	1,312	2,291	5,956	11.2
Total Revenue	56	140	498	15.1
Adj. Factor (Commissions/GST)	47	44	44	
PAG - Revenue	30	78	279	15.1

Source: Company, Emkay Research

Exhibit 14: Page Industries – Target P/E derived from a two-stage growth model

Revenue CAGR [FY22E-25E] (%)	19.8
EPS CAGR [FY22E-25E] (%)	20.6
Stage-1: FY25E-35E	
EPS in Yr-0 [FY25E] (Rs)	843
EPS in Yr-1 (Rs)	969
EPS CAGR (%)	15.0
Years of growth [n]	10.0
RoE (%)	100.0
CoE (%)	11.0
Implied DPR (%)	85
Terminal stage: >FY35E	
EPS growth (%)	8.0
RoE (%)	100.0
Implied DPR (%)	92
Fair value P/E in Mar-25E (x)	50.1
Fair value in Mar-25E (x)	48,516
Fair value in Mar-24E (x)	43,708
NPV of dividends in Mar-23E-25E (Rs/share)	656
Overall fair value in Mar-24E (Rs/share)	44,364
Mar-25E EPS (Rs)	843
Implied target P/E in Mar-24E (x)	52.6
Premium applied to FV (%) [a]	10.0
Implied target P/E in Mar-24E (x)	58
Implied TP in Mar-24E (x)	48,800

Source: Emkay Research; [a] Growth is likely to be front-loaded than assumed

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	28,330	38,865	50,222	57,933	66,748
Expenditure	23,064	31,010	40,791	46,483	52,920
EBITDA	5,266	7,855	9,432	11,450	13,828
Depreciation	629	655	865	1,119	1,310
EBIT	4,637	7,200	8,567	10,331	12,517
Other Income	195	210	147	184	220
Interest expenses	297	322	374	287	250
PBT	4,534	7,088	8,340	10,228	12,487
Tax	1,128	1,722	2,018	2,526	3,084
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	3,406	5,365	6,321	7,702	9,403
Adjusted PAT	3,406	5,365	6,321	7,702	9,403

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	112	112	112	112	112
Reserves & surplus	8,737	10,775	14,884	19,890	26,002
Net worth	8,849	10,886	14,995	20,001	26,113
Minority Interest	0	0	0	0	0
Loan Funds	1,270	1,099	1,242	1,349	1,417
Net deferred tax liability	0	0	0	0	0
Total Liabilities	10,119	11,985	16,237	21,351	27,531
Net block	3,863	4,024	8,159	9,540	11,230
Investment	0	0	0	0	0
Current Assets	12,857	16,393	17,036	22,106	28,107
Cash & bank balance	4,350	2,835	112	2,821	6,163
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	6,879	9,084	9,611	10,948	12,460
Net current assets	5,978	7,309	7,425	11,158	15,648
Misc. exp	0	0	0	0	0
Total Assets	10,119	11,985	16,237	21,351	27,531

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	4,534	7,088	8,340	10,228	12,487
Other Non-Cash items	0	0	0	0	0
Chg in working cap	2,713	(2,846)	(2,839)	(1,024)	(1,149)
Operating Cashflow	6,848	3,286	4,574	7,900	9,595
Capital expenditure	(211)	(952)	(4,500)	(2,000)	(2,500)
Free Cash Flow	6,637	2,334	74	5,900	7,095
Investments	0	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(16)	(742)	(4,353)	(1,816)	(2,280)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(268)	0	0	0	0
Dividend paid (incl tax)	(2,788)	(2,788)	(2,212)	(2,696)	(3,291)
Other Financing Cash Flow	(424)	(1,061)	(481)	(529)	(582)
Financing Cashflow	(3,651)	(4,060)	(2,944)	(3,375)	(3,973)
Net chg in cash	3,181	(1,515)	(2,722)	2,709	3,342
Opening cash position	1,169	4,350	2,835	112	2,821
Closing cash position	4,350	2,835	112	2,821	6,163

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	18.6	20.2	18.8	19.8	20.7
EBIT Margin	16.4	18.5	17.1	17.8	18.8
Effective Tax Rate	24.9	24.3	24.2	24.7	24.7
Net Margin	12.0	13.8	12.6	13.3	14.1
ROCE	56.0	75.1	67.3	60.1	55.2
ROE	40.0	54.4	48.8	44.0	40.8
RoIC	50.2	77.9	54.2	46.7	48.8

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	305.3	481.0	566.7	690.5	843.0
CEPS	361.7	539.7	644.3	790.8	960.5
BVPS	793.3	976.0	1,344.4	1,793.2	2,341.2
DPS	250.0	250.0	198.4	241.7	295.1

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	124.3	78.9	67.0	55.0	45.0
P/CEPS	136.8	91.7	76.8	62.6	51.5
P/BV	47.8	38.9	28.2	21.2	16.2
EV / Sales	15.1	11.3	8.4	7.3	6.3
EV / EBITDA	79.6	53.5	44.9	36.7	30.2
Dividend Yield (%)	0.7	0.7	0.5	0.6	0.8

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(0.5)	(0.3)	0.0	(0.1)	(0.2)
Net Debt/EBIDTA	(0.8)	(0.4)	0.0	(0.2)	(0.4)
Working Cap Cycle (days)	21.0	42.0	53.1	52.5	51.9

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(3.8)	37.2	29.2	15.4	15.2
EBITDA	(1.1)	49.2	20.1	21.4	20.8
EBIT	(1.6)	55.3	19.0	20.6	21.2
PAT	(0.8)	57.5	17.8	21.8	22.1

Quarterly (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Revenue	11,898	11,111	13,413	12,550	12,233
EBITDA	2,507	2,671	2,978	2,378	1,927
EBITDA Margin (%)	21.1	24.0	22.2	19.0	15.8
PAT	1,746	1,905	2,070	1,621	1,237
EPS (Rs)	156.5	170.8	185.6	145.3	110.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	47.2	47.2	46.1	46.1	46.1
FIs	25.1	25.2	25.2	25.3	24.7
DIs	17.3	17.1	18.2	19.5	19.6
Public and Others	10.4	10.5	10.5	9.1	9.6

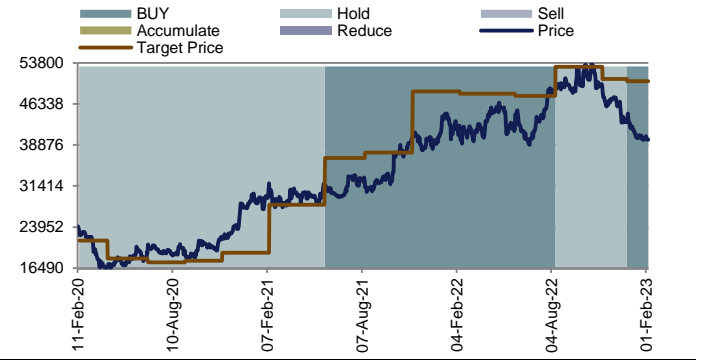
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
09-Jan-23	41,398	50,500	12m	Buy	Devanshu Bansal
27-Dec-22	43,611	50,500	12m	Buy	Devanshu Bansal
10-Nov-22	48,666	50,900	12m	Hold	Devanshu Bansal
12-Aug-22	49,137	53,100	12m	Hold	Devanshu Bansal
27-May-22	44,442	47,800	12m	Buy	Devanshu Bansal
08-Apr-22	44,984	48,200	12m	Buy	Ashit Desai
10-Feb-22	40,954	48,200	12m	Buy	Ashit Desai
12-Nov-21	40,440	48,600	12m	Buy	Ashit Desai
07-Sep-21	32,052	37,500	12m	Buy	Ashit Desai
13-Aug-21	31,183	37,500	12m	Buy	Ashit Desai
28-May-21	31,362	36,500	12m	Buy	Ashit Desai
11-Feb-21	30,764	28,000	12m	Hold	Ashit Desai
13-Nov-20	21,924	19,250	12m	Hold	Ashit Desai
03-Sep-20	19,163	17,800	12m	Hold	Ashit Desai
24-Jun-20	20,754	17,500	12m	Hold	Ashit Desai
14-Apr-20	16,498	18,200	12m	Hold	Ashit Desai
08-Apr-20	16,757	18,200	12m	Hold	Ashit Desai
14-Feb-20	22,447	21,500	12m	Hold	Ashit Desai

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 10 Feb 2023 03:34:41 (SGT)

Dissemination Date: 10 Feb 2023 03:35:41 (SGT)

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