

06 February 2025

India | Equity Research | Results update

Page Industries

Consumer Staples & Discretionary

Underwhelming print; improvement in growth to be gradual

Page Industries (PAGE) had underwhelming growth in revenue (+7% YoY) and volume (5% YoY) amidst demand challenges, leading to sequential deceleration, while channel inventory has largely normalised. Further, acceleration of growth rates would require an improvement in the demand environment (as per management). It appears medium-term revenue growth expectations [likely] getting reset lower unless there is material acceleration in consumption demand. Retail network has started to improve sequentially after consolidation for last few quarters. Operating margin improved by 434bps to 23%, driven by lower cotton prices, better mix and better operating efficiency, while it continues to maintain its guidance of 19-21% EBITDA margin with investment requirement towards digitisation. Mr. Karthik Yathindra has been elevated from President – Chief Sales and Marketing Officer to CEO effective Apr'25. **HOLD.**

Underwhelming revenue growth amidst demand challenges while channel inventory normalises

Page's Q3FY25 revenue / GP / EBITDA / recurring PAT growth (YoY) was 7 / 13 / 32 / 34 (%). Revenues were up 7% YoY (deceleration vs. double-digit growth revival it witnessed in Q2FY25) with ~5% YoY volume growth and a better mix. Deceleration in growth trajectory is due to slowdown in the second half of Q3FY25 after a good performance in the festive season, as per management. It appears that revenue growth expectations are also likely to settle lower vs its past performance unless consumption demand shows material acceleration. E-commerce and modern trade (including EBOs) continue to outperform GT channel. Channel inventory has reduced by 5 days as of Dec'24 vs Mar'24 with inventory levels normalising of men's innerwear while it can further be optimised for other segments (athleisure, junior, etc.). Therefore, secondary sales growth was slightly higher than primary growth.

Improving presence across channels gradually

PAGE, after consolidation in touchpoints across channels, has started to improve its presence sequentially over last couple of quarters: 1) MBO retail network, although declining 3% YoY, improved 3% QoQ, with city reach being largely flat sequentially, 2) LFS presence, although declining by 48% YoY, improved by 5% QoQ to 1,212 stores. In EBOs, it opened net 49 stores (to 1,436 stores) during the quarter.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	45,817	49,162	55,286	61,615
EBITDA	8,723	10,427	11,865	13,382
EBITDA Margin (%)	19.0	21.2	21.5	21.7
Net Profit	5,692	7,052	8,090	9,342
EPS (Rs)	510.3	632.3	725.3	837.5
EPS % Chg YoY	(0.4)	23.9	14.7	15.5
P/E (x)	89.7	72.4	63.1	54.7
EV/EBITDA (x)	58.2	48.4	42.3	37.2
RoCE (%)	36.6	41.3	42.4	43.1
RoE (%)	38.4	41.7	42.8	44.3

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Market Data

Market Cap (INR)	511bn
Market Cap (USD)	5,842mn
Bloomberg Code	PAG IN
Reuters Code	PAGE.BO
52-week Range (INR)	49,933 /33,070
Free Float (%)	56.0
ADTV-3M (mn) (USD)	19.4

Price Performance (%)	3m	6m	12m
Absolute	5.6	10.5	24.6
Relative to Sensex	7.1	11.2	15.5

ESG Score	2022	2023	Change
ESG score	61.0	72.9	11.9
Environment	44.0	60.7	16.7
Social	43.7	71.6	27.9
Governance	78.0	78.1	0.1

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
Revenue	(2.4)	(4.7)
EBITDA	2.2	(2.8)
EPS	0.5	(4.3)

Previous Reports

07-11-2024: [Q2FY25 results review](#)

24-05-2024: [Q4FY24 results review](#)

Focus on cost efficiency drives operating margin expansion

Gross margin expanded by 319bps YoY to 56.3%, driven by lower cotton prices, cost control and premiumisation, while EBITDA margin expanded 434bps YoY to 23% led by a significant improvement in production efficiency, leading to ~100bps improvement in staff cost and other expenses. That said, management expects gross margin to remain stable at these levels while operating margin to be in the range of 19-21% with expected increase in digital investment and ad-spend from Q4FY25.

Valuation and risks

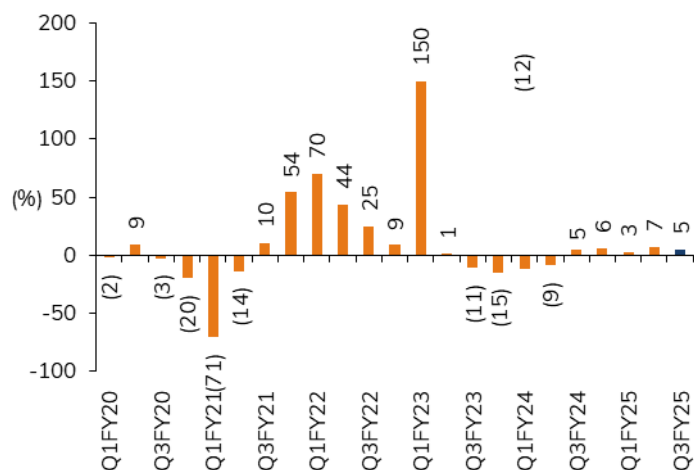
We cut our earnings estimate by ~5% for FY26E. We model revenue / EBITDA / PAT CAGR of 10% / 15% / 18% over FY24-27E, respectively. Maintain HOLD with DCF-based unchanged TP of INR 44,000. Downside risks: Underperformance of men's innerwear segment and sharper-than-expected RM inflation. Upside risk: Faster-than-expected recovery in volume.

Exhibit 1: Q3FY25 results review

INR mn	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net Revenues	13,131	12,288	7	12,463	5	38,368	35,863	7
COGS	(5,732)	(5,756)	(0)	(5,423)	6	(17,012)	(16,507)	3
Gross profit	7,399	6,532	13	7,040	5	21,356	19,356	10
Staff cost	(2,062)	(1,958)	5	(2,053)	0	(6,128)	(6,083)	1
Other opex	(2,311)	(2,277)	1	(2,173)	6	(6,955)	(6,222)	12
Total opex	(4,374)	(4,235)	3	(4,225)	4	(13,083)	(12,305)	6
EBITDA	3,025	2,297	32	2,815	7	8,273	7,051	17
Other income	140	55	153	146	(3)	415	91	356
Finance Cost	(119)	(105)	14	(109)	9	(345)	(344)	0
D&A	(297)	(226)	31	(226)	31	(744)	(683)	9
PBT	2,750	2,021	36	2,625	5	7,599	6,115	24
Tax	(703)	(497)	41	(672)	5	(1,948)	(1,505)	29
PAT	2,047	1,524	34	1,953	5	5,651	4,610	23
EPS	183	137	34	175	5	507	413	23
Costs as a % of sales								
COGS	43.7	46.8	-320 bps	43.5	13 bps	44.3	46.0	-169 bps
Gross margin (%)	56.3	53.2	319 bps	56.5	-14 bps	55.7	54.0	168 bps
Staff cost	15.7	15.9	-23 bps	16.5	-77 bps	16.0	17.0	-100 bps
Other opex	17.6	18.5	-93 bps	17.4	16 bps	18.1	17.3	77 bps
EBITDA margin (%)	23.0	18.7	434 bps	22.6	45 bps	21.6	19.7	190 bps
Income tax rate (%)	25.6	24.6	96 bps	25.6	-4 bps	25.6	24.6	102 bps

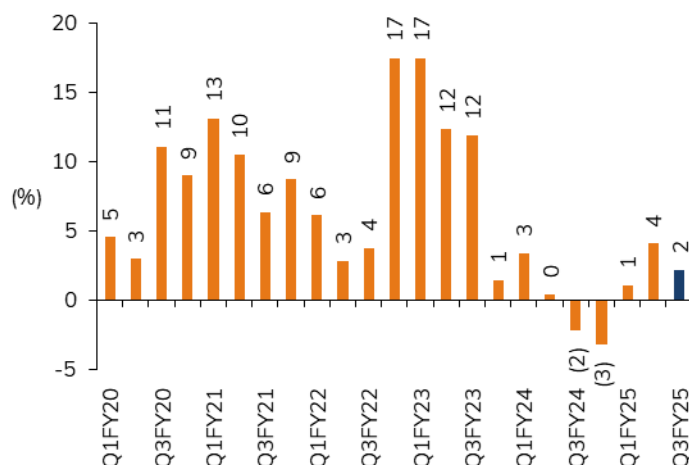
Source: I-Sec research, Company data

Exhibit 2: Volume growth



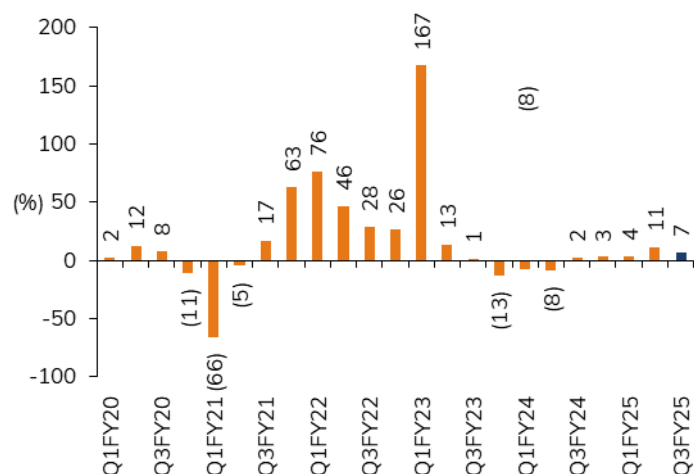
Source: Company data, I-Sec research

Exhibit 3: Realisation growth



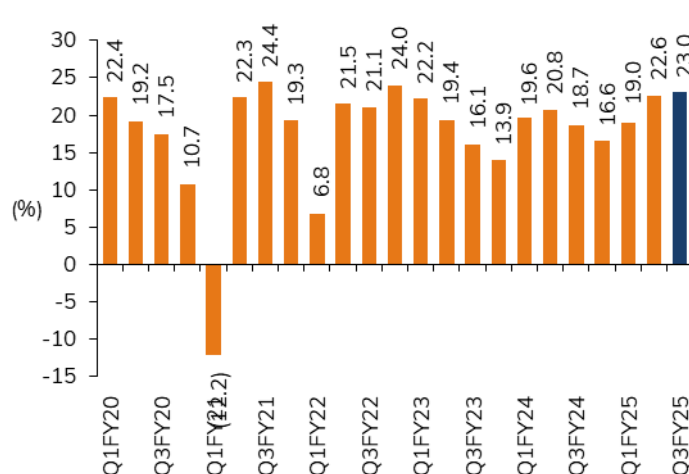
Source: Company data, I-Sec research

Exhibit 4: Revenue growth



Source: Company data, I-Sec research

Exhibit 5: EBITDA margin



Source: Company data, I-Sec research

Exhibit 6: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	45.0	44.3	42.9
Institutional investors	48.6	50.3	52.2
MFs and others	20.8	21.9	21.7
FIs/Banks	7.2	7.5	7.7
FIIIs	20.6	20.9	22.8
Others	6.4	5.4	4.9

Source: Bloomberg, I-Sec research

Exhibit 7: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	45,817	49,162	55,286	61,615
Operating Expenses	37,094	38,735	43,421	48,233
EBITDA	8,723	10,427	11,865	13,382
EBITDA Margin (%)	19.0	21.2	21.5	21.7
Depreciation & Amortization	908	1,040	1,088	1,143
EBIT	7,814	9,387	10,777	12,239
Interest expenditure	449	467	467	467
Other Non-operating Income	200	558	564	784
Recurring PBT	7,565	9,479	10,874	12,556
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,873	2,427	2,784	3,214
PAT	5,692	7,052	8,090	9,342
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	5,692	7,052	8,090	9,342
Net Income (Adjusted)	5,692	7,052	8,090	9,342

Source Company data, I-Sec research

Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	18,755	22,283	26,327	31,078
of which cash & cash eqv.	3,210	5,627	8,381	12,965
Total Current Liabilities & Provisions	9,382	10,147	11,502	13,259
Net Current Assets	9,373	12,136	14,825	17,819
Investments	-	-	-	-
Net Fixed Assets	3,161	2,233	1,555	790
ROU Assets	1,675	1,675	1,675	1,675
Capital Work-in-Progress	2,387	2,387	2,387	2,387
Total Intangible Assets	41	88	149	229
Long Term Loans & Advances	203	215	240	265
Deferred Tax assets	-	-	-	-
Total Assets	17,351	19,244	21,342	23,676
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	(93)	(93)	(93)	(93)
Provisions	-	-	-	-
Other Liabilities	54	60	67	75
Equity Share Capital	112	112	112	112
Reserves & Surplus	15,858	17,746	19,835	22,161
Total Net Worth	15,969	17,857	19,947	22,273
Minority Interest	-	-	-	-
Total Liabilities	17,351	19,244	21,342	23,676

Source Company data, I-Sec research

Exhibit 10: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sept-24	Dec-24
Net Sales	9,925	12,775	12,463	13,131
% growth (YOY)	2.9	3.7	10.8	6.9
EBITDA	1,643	2,433	2,815	3,025
Margin %	16.6	19.0	22.6	23.0
Other Income	137	129	146	140
Extraordinaries	-	-	-	-
Adjusted Net Profit	1,082	1,652	1,953	2,047

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	7,565	9,479	10,874	12,556
Working Capital Changes	3,878	(353)	48	1,572
Capital Commitments	(946)	(158)	(472)	(458)
Free Cashflow	9,858	7,489	8,657	11,282
Other investing cashflow	(2,753)	558	564	784
Cashflow from Investing Activities	(3,699)	400	92	327
Issue of Share Capital	-	-	-	-
Interest Cost	(283)	(467)	(467)	(467)
Inc (Dec) in Borrowings	(1,916)	-	-	-
Dividend paid	(3,458)	(5,164)	(6,001)	(7,016)
Others	-	-	-	-
Cash flow from Financing Activities	(6,214)	(5,631)	(6,468)	(7,483)
Chg. in Cash & Bank balance	891	2,417	2,754	4,584
Closing cash & balance	332	2,749	5,502	10,086

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	510.3	632.3	725.3	837.5
Adjusted EPS (Diluted)	510.3	632.3	725.3	837.5
Cash EPS	591.7	725.5	822.9	940.0
Dividend per share (DPS)	370.0	463.0	538.0	629.0
Book Value per share (BV)	1,431.7	1,601.0	1,788.3	1,996.9
Dividend Payout (%)	72.5	73.2	74.2	75.1
Growth (%)				
Net Sales	(2.8)	7.2	12.4	11.4
EBITDA	1.1	19.5	13.8	12.8
EPS (INR)	(0.4)	23.9	14.7	15.5
Valuation Ratios (x)				
P/E	89.7	72.4	63.1	54.7
P/CEPS	77.4	63.1	55.7	48.7
P/BV	32.0	28.6	25.6	22.9
EV / EBITDA	58.2	48.4	42.3	37.2
P / Sales	11.2	10.5	9.3	8.4
Dividend Yield (%)	0.8	1.0	1.2	1.4
Operating Ratios				
Gross Profit Margins (%)	54.5	55.9	56.0	56.1
EBITDA Margins (%)	19.0	21.2	21.5	21.7
Effective Tax Rate (%)	24.8	25.6	25.6	25.6
Net Profit Margins (%)	12.4	14.3	14.6	15.2
Net Debt / Equity (x)	(0.2)	(0.3)	(0.4)	(0.6)
Net Debt / EBITDA (x)	(0.4)	(0.5)	(0.7)	(1.0)
Fixed Asset Turnover (x)	8.2	8.6	9.3	9.7
Working Capital Days	48	50	45	30
Inventory Turnover Days	92	97	93	82
Receivables Days	12	13	13	12
Payables Days	17	18	19	21
Profitability Ratios				
RoCE (%)	36.6	41.3	42.4	43.1
RoE (%)	38.4	41.7	42.8	44.3
RoIC (%)	37.5	43.7	44.6	45.9

Source Company data, I-Sec research

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