

Green shoots post re-opening of markets

- Page Industries' Q1FY22 results came below our estimates. The company reported 70% volume growth on a very favorable base of 69% de-growth.
- The company sold 12/4/9mn pieces during April/May/June' 21. Compared to peers, the recovery in sales was very low.
- In addition to RM inflation, lower operating leverage resulted in significant contraction in EBITDA margin. The company targets to maintain margins at ~20-21% over the long run.
- Going ahead, we believe that the company's focus to increase penetration, especially in the women and kid's categories would help drive growth. Further, expected increase in operating efficiencies (with normalization of revenues) would help to improve EBITDA margin.
- Though Q1 profitability was below our estimate, we have maintained our FY22/23E estimates at Rs 367/500 as we expect pent up demand in the ensuing quarters, similar to that in FY21. The innerwear industry is likely to continue to witness strong revival and Page would regain high growth. Hence we believe that the stock deserves rich valuations. Buy on dips with TP of Rs 34,771 (70x FY23E EPS).

Profitability below estimates

Net Sales grew by 76.1% YoY to Rs 5.0bn in Q1FY22 – was ahead of our estimate. GM improved by 960bps to 57.7%. Reduction in employee cost by 1270bps and reduction in RM costs was partially offset by 330bps increase in other expense. Consequently, EBITDA margin stood at 6.8% compared to -12.2% in Q1FY21. EBITDA stood at Rs 342mn compared to operating loss of Rs 347mn in Q1FY21. APAT stood at Rs 109mn vs Rs 396mn in Q1FY21.

Scope for margins improvement here on

Page reported significant drop in EBITDA margin compared to its normal average of 18-21% primarily due to lower revenues and operating leverage. Going ahead, with the normalization of sales, the company aspires to post 20-21% EBITDA margins. Although we believe that A&P spends would remain high, with strong revenue growth and reduction in overhead costs, the company is likely to achieve the target. We continue to believe that kids, women and athleisure segments would be key growth drivers for the company in the long run. High margins associated with these categories would boost EBITDAM.

Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Revenue	5,015	2,848	76.1	8,808	(43.1)
Total Expense	4,673	3,195	46.3	7,110	(34.3)
EBITDA	342	(347)	(198.5)	1,698	(79.9)
Depreciation	159	160	(0.9)	156	2.1
EBIT	183	(508)	(136.1)	1,542	(88.1)
Other Income	36	61	(41.2)	56	(36.0)
Interest	73	77	(4.2)	72	2.6
EBT	145	(524)	NM	1,526	(90.5)
Tax	36	(128)	NM	371	(90.4)
RPAT	109	(396)	NM	1,156	(90.5)
APAT	109	(396)	NM	1,156	(90.5)
			(bps)		(bps)
Gross Margin (%)	57.7	48.1	963	57.6	12
EBITDA Margin (%)	6.8	(12.2)	1901	19.3	(1246)
NPM (%)	2.2	(13.9)	1607	13.1	(1094)
Tax Rate (%)	24.6	24.5	8	24.3	28
EBIT Margin (%)	3.6	(17.8)	2147	17.5	(1386)

CMP	Rs 32,374
Target / Upside	Rs 34,771 / 7%
NIFTY	16,364

Scrip Details

Equity / FV	Rs 112mn / Rs 10
Market Cap	Rs 361bn
	USD 4.9bn
52-week High/Low	Rs 33,989/ 17,685
Avg. Volume (no)	28,791
Bloom Code	PAG IN

Price Performance	1M	3M	12M
Absolute (%)	(2)	15	70
Rel to NIFTY (%)	(7)	2	27

Shareholding Pattern

	Dec'20	Mar'21	Jun'21
Promoters	48.3	48.3	47.9
MF/Banks/FIs	18.2	16.2	13.2
FII's	25.2	25.9	23.7
Public / Others	8.3	9.6	15.2

Valuation (x)

	FY21A	FY22E	FY23E
P/E	106.0	88.3	64.8
EV/EBITDA	68.0	57.5	43.6
ROE (%)	40.0	41.2	44.6
RoACE (%)	37.1	39.5	42.9

Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	28,330	31,760	38,325
EBITDA	5,266	6,247	8,229
PAT	3,406	4,089	5,572
EPS (Rs.)	305.5	366.7	499.8

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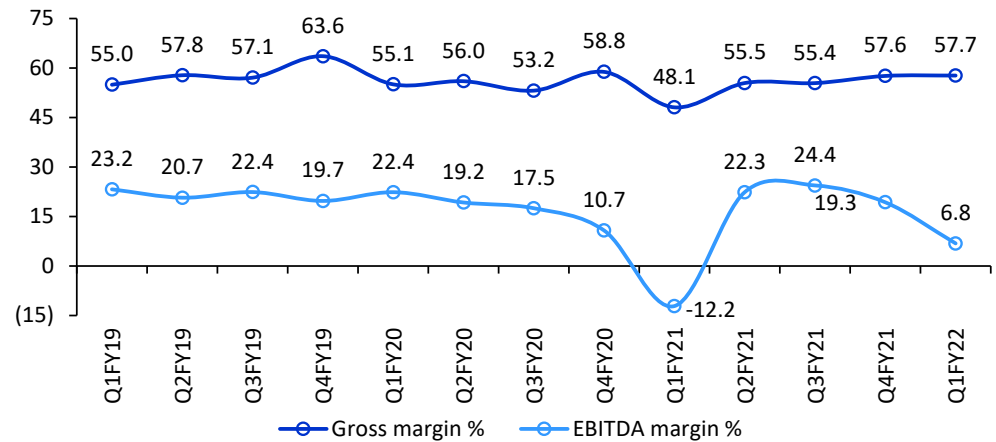
Exhibit 1: Q1FY22 Actual V/s Estimates

Rs mn	Actual	Estimates	Variance (%)	Comments
Revenue	5,015	4,592	9.2	Variation as impact of lockdown on sales was lesser than our expectation
EBITDA	342	561	(39.0)	
EBITDA margin %	6.8	12.2	(540)	Employee cost and other expense was higher than our estimate
APAT	109	290	(62.2)	Cascading effect of lower EBITDA

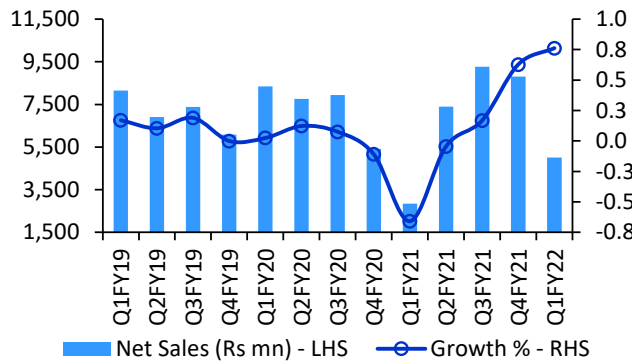
Source: Company, DART

Other Concall takeaways

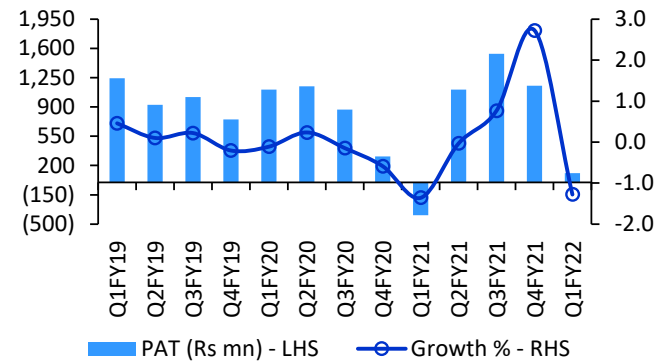
- In FY21, E-com contributed 7.4% to revenue and grew 76%. It continues to be a fast growing channel because of the pandemic. In Q1FY22, E-com contributed 19% and grew 2.5x YoY. Page will continue to invest on its own e-com portal and has tied up with major online players. Margins in E-com are not different from GT.
- Page added close to 14,000 MBO's and ~200 new EBO's during FY21. Despite most of the quarter being under lockdown, Page added 1,465 MBOs and 9 EBOs during Q1. Currently, 61% of 80,250+ MBO's, and all 939 EBO's are active. Going ahead, Page will continue to add 200-250 stores YoY. Almost all stores are profitable with expansion in product range and increased customer acceptance.
- Kids-wear business continues to be a special focus area with encouraging customer acceptance. Page now has 39 EBOs that are exclusive for Jockey Junior. It is managed by specific channel partners across +50 cities and sales team of 200 people.
- Page witnessed a 2.8% increase in the RM cost impact in Q1 and the forecast going forward is about 5-7%. However, RM costs are likely to soften in few months. Price increase was 4% on portfolio level in Q1 (historically 3-4%) and is monitoring RM prices for further price increases. It aims to maintain margins in 21% range with cost control measures.
- The company registered volume growth in all segments, mainly Athleisure. Womens' innerwear also gained traction in Q1. The month of Jul'21 saw good demand, similar to April in terms of volumes.
- Contribution from the smaller towns (Tier 2/3/4 and rural) still is about 50% thus implying tremendous potential to grow in these markets. In FY21 and also in Q1FY22, 50% of the new outlets are opened in these smaller towns. The company has majorly penetrated in smaller towns of Central India, UP, Maharashtra, WB, Rajasthan.
- The company is confident of maintaining growth in Athleisure business going ahead by strengthening distribution network in smaller towns.
- Despite loss of 48 days in manufacturing due to lockdown, Page had sufficient inventory levels and strong outsourcing. After reopening, the company scaled up in-house manufacturing.

Exhibit 2: Quarterly trend in operating performance


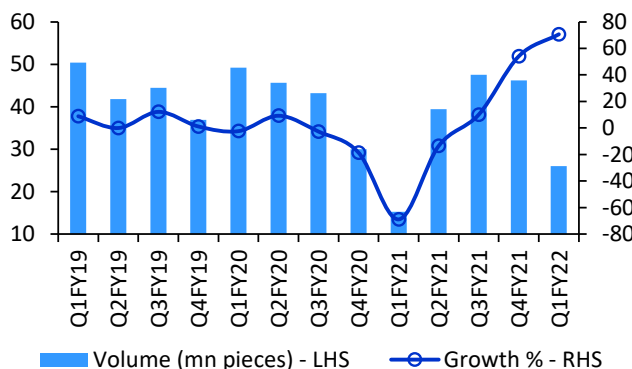
Source: DART, Company

Exhibit 3: Trend in Net Sales (YoY)


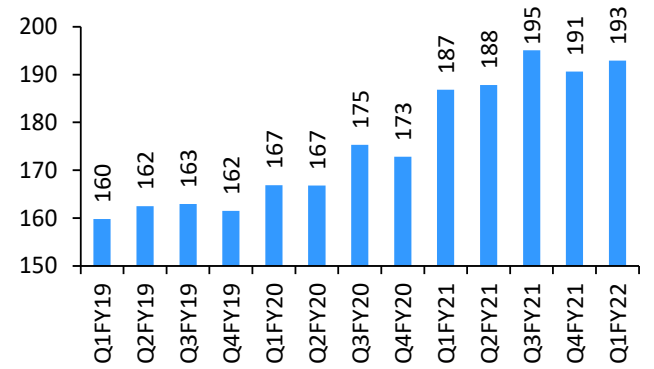
Source: DART, Company

Exhibit 4: Trend in PAT Growth (YoY)


Source: DART, Company

Exhibit 5: Trend in Volume Growth


Source: DART, Company

Exhibit 6: Trend in Blended Realization (Rs/piece)


Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	29,455	28,330	31,760	38,325
Total Expense	24,130	23,064	25,513	30,096
COGS	14,609	13,917	15,365	18,083
Employees Cost	5,317	5,638	5,919	6,511
Other expenses	4,204	3,509	4,228	5,502
EBIDTA	5,326	5,266	6,247	8,229
Depreciation	614	629	635	643
EBIT	4,712	4,637	5,612	7,586
Interest	339	297	338	342
Other Income	246	195	214	236
Exc. / E.O. items	0	0	0	0
EBT	4,620	4,534	5,488	7,480
Tax	1,188	1,128	1,400	1,907
RPAT	3,432	3,406	4,089	5,572
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	3,432	3,406	4,089	5,572

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	112	112	112	112
Minority Interest	0	0	0	0
Reserves & Surplus	8,087	8,737	10,912	13,877
Net Worth	8,199	8,849	11,024	13,988
Total Debt	1,649	1,269	1,269	1,269
Net Deferred Tax Liability	2	0	0	0
Total Capital Employed	9,850	10,118	12,293	15,258

Applications of Funds

Net Block	4,055	3,863	4,028	4,185
CWIP	287	278	278	278
Investments	0	0	0	0
Current Assets, Loans & Advances	10,073	12,179	12,710	15,663
Inventories	7,186	5,549	6,787	8,190
Receivables	738	1,371	1,537	1,855
Cash and Bank Balances	1,169	4,349	2,820	3,728
Loans and Advances	980	910	1,566	1,890
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	4,566	6,202	4,722	4,868
Payables	938	2,175	1,180	1,388
Other Current Liabilities	3,628	4,027	3,543	3,480
<i>sub total</i>				
Net Current Assets	5,507	5,977	7,987	10,795
Total Assets	9,850	10,118	12,293	15,258

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	50.4	50.9	51.6	52.8
EBIDTA Margin	18.1	18.6	19.7	21.5
EBIT Margin	16.0	16.4	17.7	19.8
Tax rate	25.7	24.9	25.5	25.5
Net Profit Margin	11.7	12.0	12.9	14.5
(B) As Percentage of Net Sales (%)				
COGS	49.6	49.1	48.4	47.2
Employee	18.1	19.9	18.6	17.0
Other	14.3	12.4	13.3	14.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	13.9	15.6	16.6	22.2
Inventory days	89	71	78	78
Debtors days	9	18	18	18
Average Cost of Debt	28.5	20.4	26.6	26.9
Payable days	12	28	14	13
Working Capital days	68	77	92	103
FA T/O	7.3	7.3	7.9	9.2
(D) Measures of Investment				
AEPS (Rs)	307.8	305.5	366.7	499.8
CEPS (Rs)	362.8	361.9	423.7	557.4
DPS (Rs)	202.1	214.9	146.7	199.9
Dividend Payout (%)	65.7	70.4	40.0	40.0
BVPS (Rs)	735.3	793.6	988.7	1254.6
RoANW (%)	43.0	40.0	41.2	44.6
RoACE (%)	40.9	37.1	39.5	42.9
RoAIC (%)	56.0	64.2	73.6	72.2
(E) Valuation Ratios				
CMP (Rs)	32374	32374	32374	32374
P/E	105.2	106.0	88.3	64.8
Mcap (Rs Mn)	360,966	360,966	360,966	360,966
MCap/ Sales	12.3	12.7	11.4	9.4
EV	361,446	357,886	359,416	358,507
EV/Sales	12.3	12.6	11.3	9.4
EV/EBITDA	67.9	68.0	57.5	43.6
P/BV	44.0	40.8	32.7	25.8
Dividend Yield (%)	0.6	0.7	0.5	0.6
(F) Growth Rate (%)				
Revenue	3.3	(3.8)	12.1	20.7
EBITDA	(13.7)	(1.1)	18.6	31.7
EBIT	(19.6)	(1.6)	21.0	35.2
PBT	(23.8)	(1.9)	21.0	36.3
APAT	(12.9)	(0.8)	20.1	36.3
EPS	(12.9)	(0.8)	20.1	36.3

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	5,130	7,043	1,522	4,658
CFI	(744)	(135)	(800)	(800)
CFF	(3,658)	(3,728)	(2,252)	(2,950)
FCFF	4,386	6,908	722	3,858
Opening Cash	441	1,169	4,349	2,820
Closing Cash	1,169	4,349	2,820	3,728

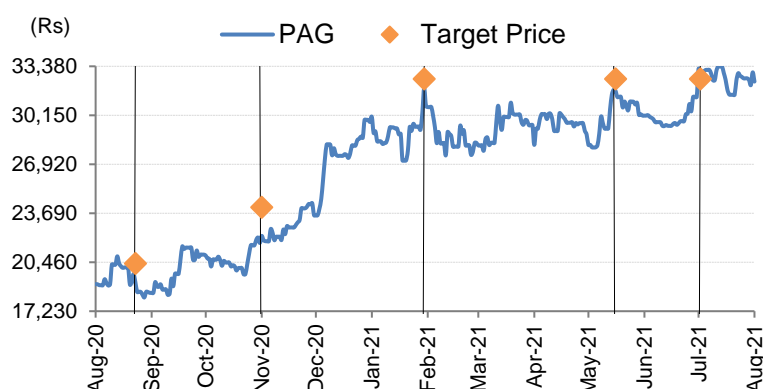
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Sep-20	Reduce	20,380	19,163
Nov-20	Accumulate	24,082	22,195
Feb-21	Accumulate	32,552	31,934
May-21	Accumulate	32,552	31,764
Jul-21	Accumulate	32,552	32,909

*Price as on recommendation date

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