

## Innerwear | Q4FY24 Result Update

## Lackluster volume performance; Downgrade to Reduce

- Page Industries' Q4FY24 results were below our estimates. APAT grew by 38.1% supported by focus on driving operational efficiencies. On 4-Yr CAGR basis, Page reported 16.5% revenue growth.
- During the quarter, the company reported a mere 6.1% volume growth despite favorable base of 14.7% de-growth. However, management believes that growth rate will improve significantly post revamp in the industry as the company remains dominant player.
- We have reduced our FY25/26E EPS estimates by 23.5/11.1% at Rs 557/713 to factor in Q4 performance. Going ahead, though the base is favorable, we believe that volume growth will pick up gradually and margins will take time to normalize. Downgrade to 'Reduce' rating from Accumulate with TP of Rs 37,048 valuing at 52x FY26E EPS.

## Results below estimate

Net Sales grew by 3.2% YoY to Rs 10.0bn, subsequently volume grew by 6.1% YoY in Q4FY24, below our estimate. On 4-Yr CAGR, the company reported 16.5% revenue growth. GM contracted 100bps YoY to 56.2%. A 100bps YoY increase in RM cost was fully offset by 350/40bps decrease in employee cost/other exp respectively. Consequently, EBITDA margin expanded by 290bps to 16.8% in Q4FY24. EBITDA grew by 24.5% YoY to Rs 1.7bn, below our estimate. APAT grew by 38.1% YoY to Rs 1.1bn in Q4FY24, below our estimate.

## Favorable base going ahead

During the quarter, Page reported improvement in the men and women innerwear business. However, the athleisure business remained under pressure due to unfavorable base. Though the company witnessed some improvement in demand at the end of Q4, we believe that volume growth would remain under pressure in H1FY25E due to subdued demand conditions, less number of wedding days and price differential compared to competition. In addition, our channel checks suggested that the athleisure products are witnessing slower growth across industry and would pose challenges for Page. Though, EBITDA margins during the quarter were lower compared to guidance of 19-21%, with gradual improvement in sales growth, we expect EBITDA margins to get back in the guided range. |

## Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	9,954	9,646	3.2	12,288	(19.0)
Total Expense	8,281	8,303	(0.3)	9,991	(17.1)
EBITDA	1,672	1,343	24.5	2,297	(27.2)
Depreciation	226	213	6.0	226	(0.2)
EBIT	1,446	1,130	28.0	2,070	(30.1)
Other Income	109	71	52.4	55	95.8
Interest	105	136	(23.2)	105	(0.4)
EBT	1,450	1,065	36.1	2,021	(28.2)
Tax	368	282	30.7	497	(26.0)
RPAT	1,082	784	38.1	1,524	(29.0)
APAT	1,082	784	38.1	1,524	(29.0)
			(bps)		(bps)
Gross Margin (%)	56.2	57.2	(101)	53.2	301
EBITDA Margin (%)	16.8	13.9	287	18.7	(189)
NPM (%)	10.9	8.1	275	12.4	(153)
Tax Rate (%)	25.4	26.5	(106)	24.6	78
EBIT Margin (%)	14.5	11.7	281	16.8	(232)

CMP	Rs 35,581		
Target / Upside	Rs 37,048 / 4%		
NIFTY	22,968		
<b>Scrip Details</b>			
Equity / FV	Rs 112mn / Rs 10		
Market Cap	Rs 397bn		
	USD 4.8bn		
52-week High/Low	Rs 42,885 / 33,070		
Avg. Volume (no)	28,816		
Bloom Code	PAG IN		
<b>Price Performance</b>			
1M	3M	12M	
Absolute (%)	(1)	(1)	(15)
Rel to NIFTY (%)	(4)	(5)	(40)

## Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	45.1	45.1	45.1
MF/Banks/FIs	23.6	24.6	26.6
FIs	22.0	21.8	20.9
Public / Others	9.4	8.5	8.5

## Valuation (x)

	FY24P	FY25E	FY26E
P/E	69.7	63.9	49.9
EV/EBITDA	45.3	41.3	32.8
ROE (%)	38.4	35.3	37.2
RoACE (%)	34.5	34.4	36.3

## Estimates (Rs bn)

	FY24P	FY25E	FY26E
Revenue	45.8	51.0	60.5
EBITDA	8.7	9.6	12.0
PAT	5.7	6.2	7.9
EPS (Rs.)	510.3	556.9	712.5

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**Exhibit 1: Actual V/s Estimates**

Particulars (Rs mn)	Actual	Estimates	Variance (%)	Comments
Revenue	9,954	11,241	(11.5)	Volume growth was significantly lower than estimate
EBITDA	1,672	2,075	(19.4)	
EBITDA margin %	16.8	18.5	(170bps)	Higher than estimated A&P spends during the quarter
APAT	1,082	1,337	(19.0)	Cascading effect of lower EBITDA

Source: Company, DART

**Exhibit 2: Change in estimates**

Particulars (Rs mn)	FY25E			FY26E		
	New	Old	Chg. (%)	New	Old	Chg. (%)
Revenue	50,996	58,718	(13.2)	60,509	65,964	(8.3)
EBITDA	9,579	12,194	(21.4)	12,006	13,388	(10.3)
EBITDA margin (%)	18.8	20.8	(200bps)	19.8	20.3	(50bps)
PAT	6,212	8,124	(23.5)	7,947	8,938	(11.1)
EPS (Rs)	556.9	728.3	(23.5)	712.5	801.3	(11.1)

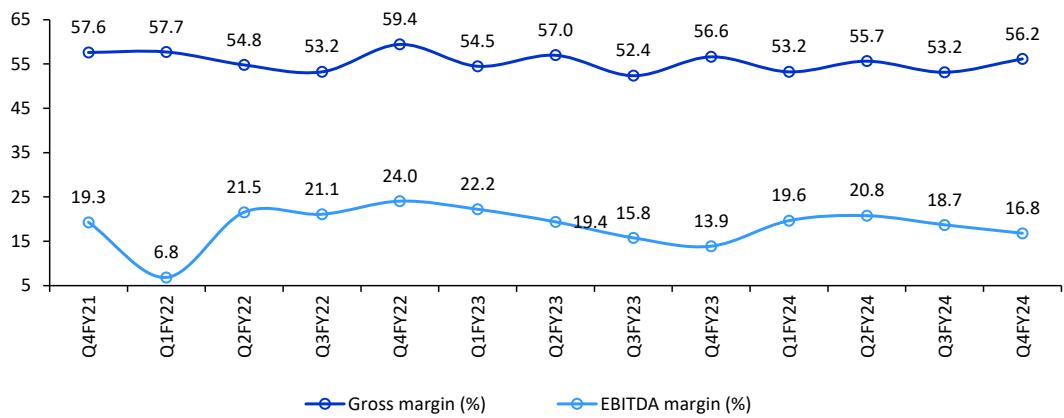
Source: Company DART

We have downward revised our FY25/26E revenue estimates to factor in less room for price increase and lower volume growth in Q4. In addition, we have downward revised our EBITDA margin estimates for FY25/26E as we believe that A&P spends would remain high in H1 to support volume growth. In-line with the revision in EBITDA, we have revised our APAT estimates.

**Earning call KTA**

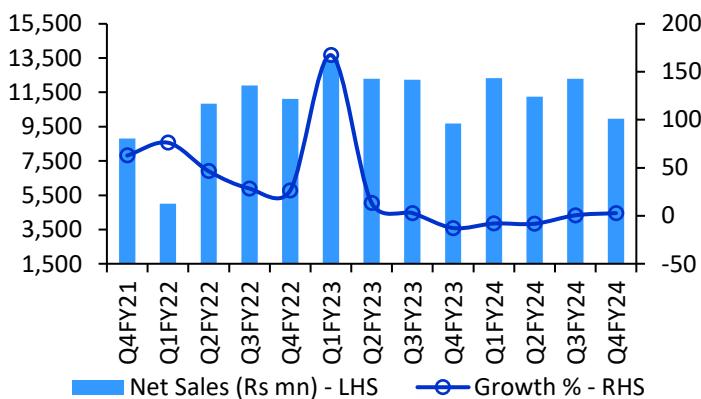
- Revenue/volume grew by 3.2/6.1% YoY during Q4FY24 due to subdued demand environment. The demand has witnessed slight uptick towards end of Q4FY24. In FY25E, the management expects a gradual uptick in demand. In addition, good monsoon would aid growth, going forward.
- EBITDA margins improved by 290bps YoY to 16.8% in Q4FY24, backed by favorable fabric cost and operational efficiencies. Going ahead, EBITDA margins are expected to be in the range of 19-21%.
- Page has continued to focus on expanding distribution reach, the total count of MBO/EBO stood at ~1,06,835/1,382 stores. Further, it has presence across ~1,670+ LFS stores. Going ahead, focus on intensifying general trade distribution, expanding modern trade and exclusive brand outlets would help accelerate growth.
- E-com channel continued its growth trajectory. In Q4FY24 e-com sales grew by ~30% (contributes 8%+ of sales), which reflects shift in consumer behavior. Going ahead, focus remains on strengthening e-com presence.
- Despite increased competitive intensity from organized as well as unorganized players, Page has managed to maintain market share through strategic initiatives in product innovation, customer engagement, and operational efficiency.
- During the quarter, men's innerwear has grown in-line with overall volume growth. Further, women's innerwear segment has demonstrated positive trends. In addition, accessories i.e. socks have delivered good growth. Going ahead, focus on new product launches and increased marketing efforts will aid growth across categories.
- On a full year basis it has posted a de-growth due to subdued demand in H1FY24. In the long term, athleisure market is expected to grow significantly.
- Inventory has improved at distributor level on account of implementation of ARS system. The inventory at channel partners for FY24/Q4FY24 reduced by 6/3 days at brand level led by healthier inventory mix at channel partner. However, the dealer inventory continues to remain elevated.

### Exhibit 3: Quarterly trend in operating performance



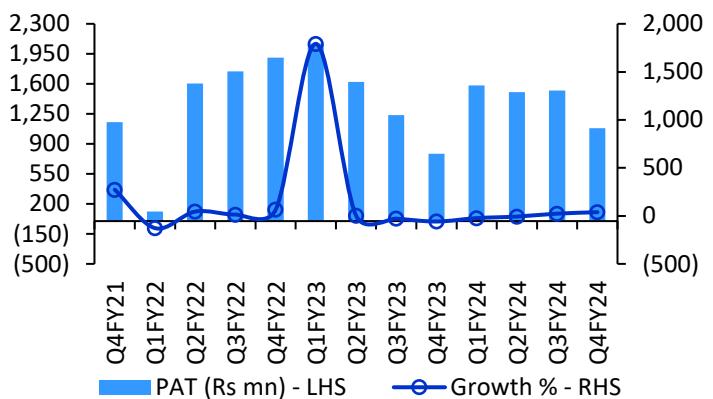
Source: Company, DART

### Exhibit 4: Trend in Net Sales (YoY)



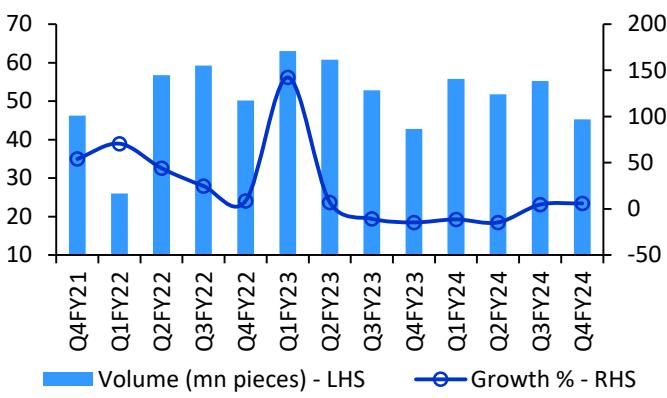
Source: Company, DART

### Exhibit 5: Trend in PAT Growth (YoY)



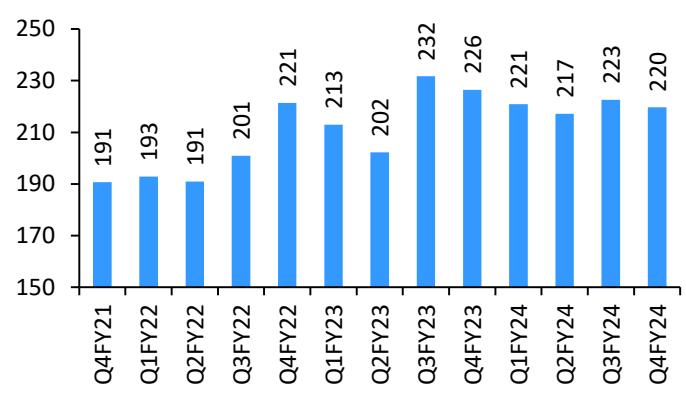
Source: Company, DART

### Exhibit 6: Trend in Volume Growth



Source: Company, DART

### Exhibit 7: Trend in Blended Realization (Rs/piece)



Source: Company, DART

## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY23A	FY24P	FY25E	FY26E
<b>Revenue</b>	<b>47,142</b>	<b>45,817</b>	<b>50,996</b>	<b>60,509</b>
<b>Total Expense</b>	<b>38,514</b>	<b>37,094</b>	<b>41,418</b>	<b>48,504</b>
COGS	22,618	22,536	24,434	28,711
Employees Cost	8,848	8,036	9,483	10,905
Other expenses	7,048	6,522	7,501	8,888
<b>EBIDTA</b>	<b>8,627</b>	<b>8,723</b>	<b>9,579</b>	<b>12,006</b>
Depreciation	781	908	980	1,091
<b>EBIT</b>	<b>7,847</b>	<b>7,814</b>	<b>8,598</b>	<b>10,915</b>
Interest	413	449	480	490
Other Income	147	200	220	241
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>7,581</b>	<b>7,565</b>	<b>8,338</b>	<b>10,667</b>
Tax	1,869	1,873	2,126	2,720
RPAT	5,713	5,692	6,212	7,947
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>5,713</b>	<b>5,692</b>	<b>6,212</b>	<b>7,947</b>

### Balance Sheet

(Rs Mn)	FY23A	FY24P	FY25E	FY26E
<b>Sources of Funds</b>				
Equity Capital	112	112	112	112
Minority Interest	0	0	0	0
Reserves & Surplus	13,599	15,858	19,162	23,390
<b>Net Worth</b>	<b>13,710</b>	<b>15,969</b>	<b>19,274</b>	<b>23,502</b>
Total Debt	4,064	1,848	1,848	1,848
Net Deferred Tax Liability	0	0	0	0
<b>Total Capital Employed</b>	<b>17,774</b>	<b>17,818</b>	<b>21,122</b>	<b>25,350</b>

### Applications of Funds

	FY23A	FY24P	FY25E	FY26E
Net Block	4,852	4,878	4,898	4,807
CWIP	1,505	2,387	2,387	2,387
Investments	0	0	0	0
<b>Current Assets, Loans &amp; Advances</b>	<b>20,572</b>	<b>19,561</b>	<b>17,980</b>	<b>22,562</b>
Inventories	15,953	11,703	10,898	12,931
Receivables	1,461	1,586	1,555	1,845
Cash and Bank Balances	81	3,210	3,012	4,802
Loans and Advances	3,078	3,061	2,515	2,984
Other Current Assets	0	0	0	0
<b>Less: Current Liabilities &amp; Provisions</b>	<b>9,154</b>	<b>9,008</b>	<b>4,142</b>	<b>4,406</b>
Payables	2,876	2,200	1,491	1,752
Other Current Liabilities	6,277	6,808	2,651	2,654
<i>sub total</i>				
Net Current Assets	11,418	10,553	13,838	18,156
<b>Total Assets</b>	<b>17,774</b>	<b>17,818</b>	<b>21,122</b>	<b>25,350</b>

E – Estimates

**Important Ratios**

Particulars	FY23A	FY24P	FY25E	FY26E
<b>(A) Margins (%)</b>				
Gross Profit Margin	52.0	50.8	52.1	52.6
EBIDTA Margin	18.3	19.0	18.8	19.8
EBIT Margin	16.6	17.1	16.9	18.0
Tax rate	24.6	24.8	25.5	25.5
Net Profit Margin	12.1	12.4	12.2	13.1
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	48.0	49.2	47.9	47.4
Employee	18.8	17.5	18.6	18.0
Other	15.0	14.2	14.7	14.7
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.3	0.1	0.1	0.1
Interest Coverage	19.0	17.4	17.9	22.3
Inventory days	124	93	78	78
Debtors days	11	13	11	11
Average Cost of Debt	16.0	15.2	26.0	26.5
Payable days	22	18	11	11
Working Capital days	88	84	99	110
FA T/O	9.7	9.4	10.4	12.6
<b>(D) Measures of Investment</b>				
AEPS (Rs)	512.2	510.3	556.9	712.5
CEPS (Rs)	582.2	591.7	644.8	810.2
DPS (Rs)	260.0	310.0	222.8	285.0
Dividend Payout (%)	50.8	60.7	40.0	40.0
BVPS (Rs)	1229.2	1431.7	1728.0	2107.0
RoANW (%)	46.4	38.4	35.3	37.2
RoACE (%)	41.2	34.5	34.4	36.3
RoAIC (%)	58.5	48.4	52.6	56.5
<b>(E) Valuation Ratios</b>				
CMP (Rs)	35581	35581	35581	35581
P/E	69.5	69.7	63.9	49.9
Mcap (Rs Mn)	3,96,870	3,96,870	3,96,870	3,96,870
MCap/ Sales	8.4	8.7	7.8	6.6
EV	4,00,853	3,95,508	3,95,707	3,93,917
EV/Sales	8.5	8.6	7.8	6.5
EV/EBITDA	46.5	45.3	41.3	32.8
P/BV	28.9	24.9	20.6	16.9
Dividend Yield (%)	0.7	0.9	0.6	0.8
<b>(F) Growth Rate (%)</b>				
Revenue	21.3	(2.8)	11.3	18.7
EBITDA	9.8	1.1	9.8	25.3
EBIT	9.0	(0.4)	10.0	26.9
PBT	7.0	(0.2)	10.2	27.9
APAT	6.5	(0.4)	9.1	27.9
EPS	6.5	(0.4)	9.1	27.9

E – Estimates

**Cash Flow**

Particulars	FY23A	FY24P	FY25E	FY26E
<b>Profit before tax</b>	<b>7,581</b>	<b>7,565</b>	<b>8,338</b>	<b>10,667</b>
Depreciation & w.o.	781	908	980	1,091
Net Interest Exp	413	449	480	490
Direct taxes paid	(1,869)	(1,873)	(2,126)	(2,720)
Change in Working Capital	(6,863)	3,995	(3,483)	(2,528)
Non Cash	0	0	0	0
<b>(A) CF from Operating Activities</b>	<b>43</b>	<b>11,044</b>	<b>4,189</b>	<b>6,999</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(2,460)	(1,817)	(1,000)	(1,000)
<b>Free Cash Flow</b>	<b>(2,417)</b>	<b>9,227</b>	<b>3,189</b>	<b>5,999</b>
(Inc.)/ Dec. in Investments	0	0	0	0
Other	0	0	0	0
<b>(B) CF from Investing Activities</b>	<b>(2,460)</b>	<b>(1,817)</b>	<b>(1,000)</b>	<b>(1,000)</b>
Issue of Equity/ Preference	11	24	0	0
Inc./ (Dec.) in Debt	2,965	(2,215)	0	0
Interest exp net	(413)	(449)	(480)	(490)
Dividend Paid (Incl. Tax)	(2,900)	(3,458)	(2,907)	(3,719)
Other	0	0	0	0
<b>(C) CF from Financing</b>	<b>(336)</b>	<b>(6,098)</b>	<b>(3,387)</b>	<b>(4,209)</b>
Net Change in Cash	(2,754)	3,129	(198)	1,790
<b>Opening Cash balances</b>	<b>2,835</b>	<b>81</b>	<b>3,210</b>	<b>3,012</b>
<b>Closing Cash balances</b>	<b>81</b>	<b>3,210</b>	<b>3,012</b>	<b>4,802</b>

E – Estimates

**Notes**

### DART RATING MATRIX

Total Return Expectation (12 Months)

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

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
May-23	Reduce	42,132	41,121
Aug-23	Accumulate	46,105	40,073
Nov-23	Accumulate	42,983	37,687
Feb-24	Accumulate	41,668	36,741

\*Price as on recommendation date

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