

Page Industries

Refer to important disclosures at the end of this report

Growth outlook remains upbeat

- Q1 performance was slightly better, with revenue recovery at 60% (10% ahead of estimates) and EBITDA margins at 6.8%. Sales grew 76% yoy to Rs5bn on low comparables, but declined 43% qoq due to the Covid-induced restrictions.
- Management indicated that Jul'21 sales recovery is healthy and similar to Apr'21. Strong growth plans in Kidswear/Athleisure and aggressive network expansion into Tier-3/4 and rural towns offer good visibility of mid-teens growth ahead.
- Margin trends are healthy with better cost control despite a steep increase in RM prices and relatively lower price hikes (~7-8% vs. 20% of its peers in the economy category). PAG hinted at returning to 21%+ margins ahead, as sales recover.
- Strong on-the-ground execution during lockdowns and focus on fast-growing categories (Kids/Athleisure) and strong network expansion keep us positive on PAG. Maintain Buy with a revised TP of Rs37,500 ((55x Sep'23E EPS)

Relatively better recovery; growth outlook remains upbeat: Revenues grew ~76% yoy in Q1, led by 70% volume growth on a low base and 4% realization growth. Revenue recovery of ~60% was better than ~35% recovery seen last year, both compared to pre-Covid levels. Better volumes were driven by ~20% network expansion, higher footfalls and strong online growth (up 250%). Among segments, Athleisure, Kids and Women innerwear saw stronger growth than Men's innerwear. While disruptions continued in Jul'21, PAG indicated a healthy recovery to Apr-21 levels (June was ~25% lower). Management remains upbeat on growth prospects, helped by market share gains with a robust supply-chain during lockdowns, large opportunities in Kidswear/Athleisure, rural expansion and online. Jockey Junior now has a separate 200-member salesforce and athleisure has seen healthy new customer acquisitions on WFH trends. Since FY20, PAG's EBO/MBO network has expanded strongly by 20-25%, with ~50% of that added in Tier-2/3/4 and rural markets (now forming ~50% of sales).

Margins to recover to ~21% levels: EBITDA margins of 6.8% were better than expected, supported by cost control and higher gross margins (up ~1,000bps; ex-subcon expenses) on better manufacturing overhead absorption. The commentary was strong with PAG indicating 21%+ margins on full recovery ahead. PAG has also been able to contain the impact of strong increase in RM prices with better cost control – has effected only ~4% price hike (cumulative 7-8%) vs. ~20% cumulative hike by peers that operate in the economy segment.

Expect a strong recovery ahead; Buy: With manufacturing operations normalized and the store network fully operational, we expect a strong recovery ahead. PAG's strong product expansion plans and fast scale-up of distribution network provide better visibility of mid-teens growth sustaining ahead. Valuations at 52x FY23E EPS are at a discount to other high-growth peers. Maintain Buy with a revised TP of Rs37,500 based on 55x Sep'23E EPS.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(Page 7\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	29,454	28,330	35,657	44,588	51,168
EBITDA	5,326	5,266	7,119	9,880	11,600
EBITDA Margin (%)	18.1	18.6	20.0	22.2	22.7
APAT	3,432	3,406	4,824	6,897	8,143
EPS (Rs)	307.7	305.3	432.5	618.4	730.0
EPS (% chg)	(12.9)	(0.8)	41.6	43.0	18.1
ROE (%)	43.0	40.0	51.1	61.4	58.4
P/E (x)	105.2	106.0	74.9	52.4	44.3
EV/EBITDA (x)	67.6	67.7	50.1	36.1	30.6
P/BV (x)	44.0	40.8	36.0	29.0	23.4

Source: Company, Emkay Research

CMP	Target Price
Rs 32,374 as of (August 12, 2021)	Rs 37,500 (▲) 12 months
Rating	Upside
BUY (■)	15.8 %

Change in Estimates

EPS Chg FY22E/FY23E (%)	(9)/(2)
Target Price change (%)	2.7
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	432.5	618.4
Consensus	427.7	550.0
Mean Consensus TP (12M)	Rs 30,483	

Stock Details

Bloomberg Code	PAG IN
Face Value (Rs)	10
Shares outstanding (mn)	11
52 Week H/L	33,989 / 17,685
M Cap (Rs bn/USD bn)	361 / 4.86
Daily Avg Volume (nos.)	30,573
Daily Avg Turnover (US\$ mn)	12.8

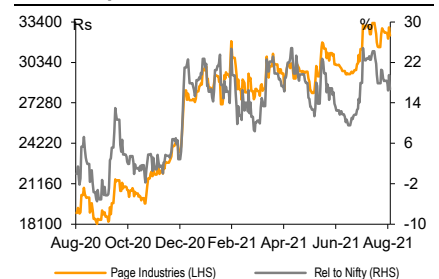
Shareholding Pattern Jun '21

Promoters	47.9%
FII's	23.6%
DII's	18.0%
Public and Others	10.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(2)	15	5	70
Rel. to Nifty	(7)	3	(2)	18

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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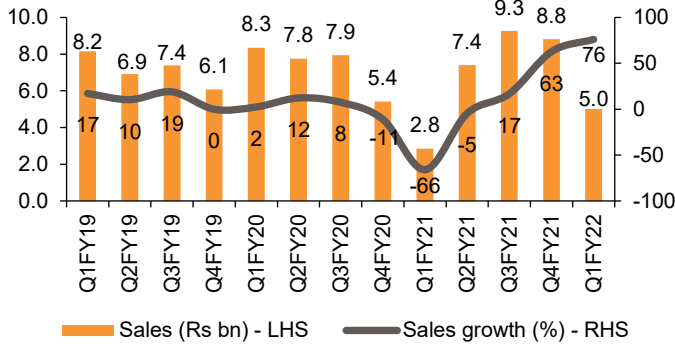
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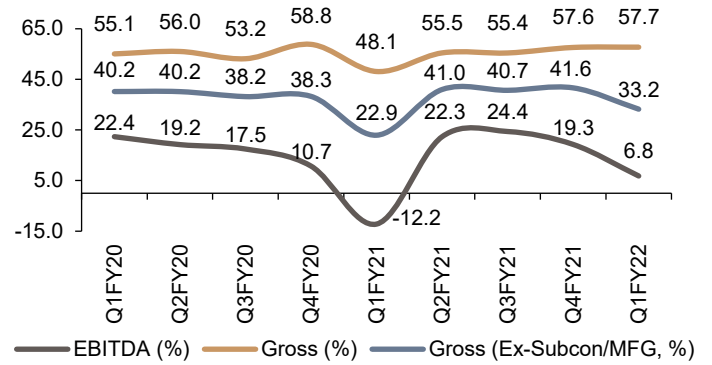
Story in Charts

Exhibit 1: Better recovery at ~60% vs. ~35% a year ago on outlet additions, athleisure traction and strong online growth



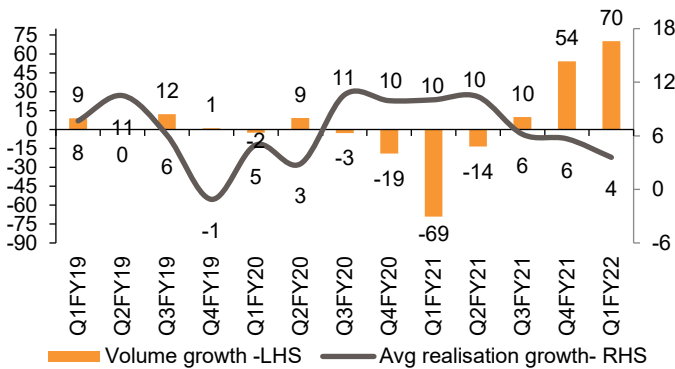
Source: Company, Emkay Research

Exhibit 2: Low absorption of wages and other overheads due to lower revenues led to lower margins (qoq)



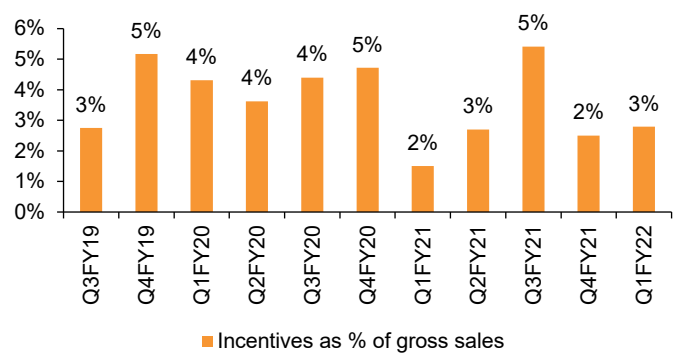
Source: Company, Emkay Research

Exhibit 3: Volume grew 70% on new outlet additions, better traction in athleisure/women-innerwear and strong online growth



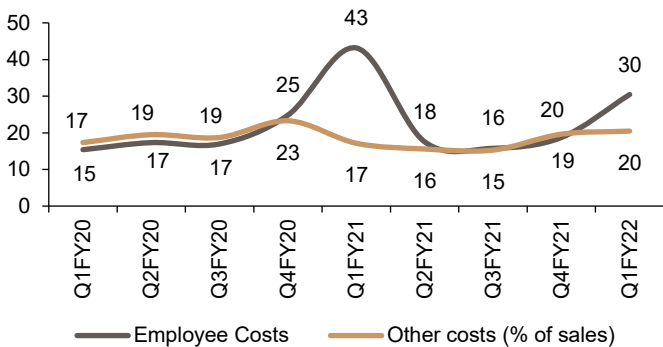
Source: Company, Emkay Research

Exhibit 4: Trade incentives remained lower relative to pre-Covid levels, indicating lower trade discounting



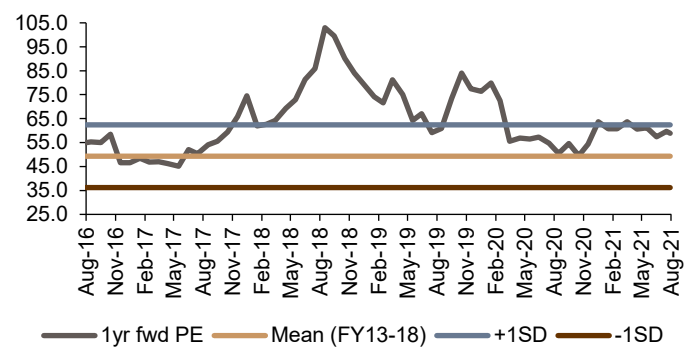
Source: Company, Emkay Research

Exhibit 5: Employee costs increased (as % of sales) due to lower revenues in Q1FY22



Source: Company, Emkay Research

Exhibit 6: Page 1-yr forward PE chart



Source: Company, Emkay Research, *Mean is FY13-18 to remove COVID-impact

Exhibit 7: Actual vs. Estimates (Q1FY22)

Rs mn	Actual	Estimates (Emkay)	Consensus Estimates	% variation		Comment
				Emkay	Consensus	
Revenues	5,015	4,580	5,481	9.5%	-8.5%	Revenues were better than expected
EBITDA	342	170	470	101.0%	-27.2%	Better recovery and cost savings led to better margins
EBITDA margin (%)	6.8%	3.7%	8.6%	310	-176	
APAT	109	11	145	866.9%	-24.5%	Strong revenues and margins led to better profits

Source: Company, Emkay Research

Exhibit 8: Quarterly performance (standalone)

Y/E, Mar (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	YoY (%)	QoQ (%)
Operating Income	2,848	7,403	9,271	8,808	5,015	76.1	-43.1
Expenditure	3,195	5,749	7,009	7,110	4,673	46.3	-34.3
Consumption of RM	1,478	3,297	4,131	3,733	2,120	43.4	-43.2
as % of sales	51.9	44.5	44.6	42.4	42.3		
Employee Cost	1,229	1,299	1,462	1,648	1,527	24.3	-7.3
as % of sales	43.1	17.5	15.8	18.7	30.4		
Other expenditure	488	1,153	1,417	1,729	1,026	110.2	-40.6
as % of sales	17.1	15.6	15.3	19.6	20.5		
EBITDA	-347	1,654	2,261	1,698	342	-198.5	-79.9
Depreciation	160	157	156	156	159	-0.9	2.1
EBIT	-508	1,497	2,105	1,542	183	-136.1	-88.1
Other Income	61	37	42	56	36	-41.2	-36.0
Interest	77	75	74	72	73	-4.2	2.6
PBT	-524	1,459	2,073	1,526	145	-127.7	-90.5
Total Tax	-128	350	536	371	36	-127.8	-90.4
APAT	-396	1,109	1,537	1,156	109	-127.7	-90.5
Minority Interest	0	0	0	0	0		
APAT (after minority)	-396	1,109	1,537	1,156	109	-127.7	-90.5
Extraordinary Items	0	0	0	0	0		
Reported PAT	-396	1,109	1,537	1,156	109	-127.7	-90.5
Adjusted EPS (Rs)	-35.5	99.4	137.8	103.6	9.8	-127.7	-90.5

Margins (%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	(bps)	(bps)
Gross margin	48.1	55.5	55.4	57.6	57.7	960	10
EBIDTA	-12.2	22.3	24.4	19.3	6.8	1,900	-1,250
EBIT	-17.8	20.2	22.7	17.5	3.6	2,150	-1,390
EBT	-18.4	19.7	22.4	17.3	2.9	2,130	-1,440
PAT	-13.9	15.0	16.6	13.1	2.2	1,610	-1,090
Effective Tax rate	24.5	24.0	25.8	24.3	24.6	10.0	30.0

Source: Company, Emkay Research

Exhibit 9: Changes in estimates

Y/E Mar (Rs mn)	FY22E			FY23E			FY24E		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	37,153	35,657	(4.0)	44,764	44,588	(0.4)	51,341	51,168	(0.3)
EBITDA	7,772	7,119	(8.4)	10,053	9,880	(1.7)	11,712	11,600	(1.0)
EBITDA Margin (%)	20.9	20.0	-100 bps	22.5	22.2	-30 bps	22.8	22.7	-10 bps
APAT	5,308	4,824	(9.1)	7,023	6,897	(1.8)	8,222	8,143	(1.0)
EPS (Rs)	475.9	432.5	(9.1)	629.6	618.4	(1.8)	737.1	730.0	(1.0)

Source: Company, Emkay Research

Exhibit 10: Peer comparison

Companies	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA (x)		
					FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
ABFRL	208	186	Buy	250	-1.5	3.3	4.8	NA	62.5	43.3	19.3	11.2	9.3
Jubilant FoodWorks	3,672	485	Buy	3,400	38.4	54.0	64.8	95.7	68.0	56.6	41.7	32.3	27.2
Page Industries	32,981	368	Buy	37,500	432.5	618.4	730.0	76.3	53.3	45.2	51.1	36.8	31.1
Titan Company	1,789	1,589	Buy	2,000	24.2	32.3	39.0	73.9	55.4	45.9	47.0	36.1	29.9
Westlife Development	499	78	Buy	630	0.0	4.0	6.4	NA	124.0	77.6	39.9	24.3	19.5
TCNS Clothing	547	34	Buy	800	-4.3	14.1	25.3	NA	38.9	21.6	40.1	11.5	7.6

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	29,454	28,330	35,657	44,588	51,168
Expenditure	24,128	23,064	28,538	34,708	39,568
EBITDA	5,326	5,266	7,119	9,880	11,600
Depreciation	614	629	689	760	855
EBIT	4,712	4,637	6,429	9,120	10,745
Other Income	246	195	246	296	355
Interest expenses	339	297	227	194	214
PBT	4,620	4,534	6,449	9,221	10,886
Tax	1,188	1,128	1,625	2,324	2,743
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	3,432	3,406	4,824	6,897	8,143
Adjusted PAT	3,432	3,406	4,824	6,897	8,143

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	112	112	112	112	112
Reserves & surplus	8,087	8,737	9,921	12,339	15,329
Net worth	8,199	8,849	10,033	12,450	15,441
Minority Interest	0	0	0	0	0
Loan Funds	1,652	1,270	1,330	1,413	1,467
Net deferred tax liability	2	0	0	0	0
Total Liabilities	9,853	10,119	11,362	13,863	16,908
Net block	4,055	3,863	4,274	4,814	5,259
Investment	0	0	0	0	0
Current Assets	10,787	12,857	14,413	17,447	21,258
Cash & bank balance	1,169	4,350	4,253	4,499	6,678
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	5,277	6,879	7,602	8,677	9,887
Net current assets	5,510	5,978	6,810	8,771	11,370
Misc. exp	0	0	0	0	0
Total Assets	9,853	10,119	11,362	13,863	16,908

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	4,620	4,534	6,449	9,221	10,886
Other Non-Cash items	0	0	0	0	0
Chg in working cap	741	2,713	(930)	(1,714)	(420)
Operating Cashflow	4,755	6,848	4,564	5,841	8,436
Capital expenditure	(564)	(229)	(800)	(1,000)	(1,000)
Free Cash Flow	4,192	6,619	3,764	4,841	7,436
Investments	0	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(317)	(34)	(554)	(704)	(645)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(457)	(268)	70	70	70
Dividend paid (incl tax)	(2,716)	(2,788)	(3,640)	(4,480)	(5,152)
Other Financing Cash Flow	(355)	(436)	(487)	(481)	(529)
Financing Cashflow	(3,709)	(3,633)	(4,107)	(4,891)	(5,611)
Net chg in cash	729	3,181	(97)	246	2,180
Opening cash position	440	1,169	4,350	4,253	4,499
Closing cash position	1,169	4,350	4,253	4,499	6,678

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	18.1	18.6	20.0	22.2	22.7
EBIT Margin	16.0	16.4	18.0	20.5	21.0
Effective Tax Rate	25.7	24.9	25.2	25.2	25.2
Net Margin	11.7	12.0	13.5	15.5	15.9
ROCE	60.2	56.0	70.7	83.8	79.6
ROE	43.0	40.0	51.1	61.4	58.4
RoIC	57.2	66.8	104.4	114.6	112.9

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	307.7	305.3	432.5	618.4	730.0
CEPS	362.7	361.7	494.3	686.5	806.7
BVPS	735.1	793.3	899.5	1,116.2	1,384.3
DPS	202.0	250.0	326.3	401.6	461.9

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	105.2	106.0	74.9	52.4	44.3
P/CEPS	90.9	91.2	66.7	48.0	40.9
P/BV	44.0	40.8	36.0	29.0	23.4
EV / Sales	12.4	12.9	10.2	8.1	7.0
EV / EBITDA	67.6	67.7	50.1	36.1	30.6
Dividend Yield (%)	0.6	0.8	1.0	1.2	1.4

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	(0.1)	(0.5)	(0.4)	(0.4)	(0.4)
Net Debt/EBIDTA	(0.2)	(0.8)	(0.6)	(0.5)	(0.6)
Working Cap Cycle (days)	53.8	21.0	26.2	35.0	33.5

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	3.3	(3.8)	25.9	25.0	14.8
EBITDA	(13.7)	(1.1)	35.2	38.8	17.4
EBIT	(19.6)	(1.6)	38.7	41.9	17.8
PAT	(12.9)	(0.8)	41.6	43.0	18.1

Quarterly (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Revenue	2,848	7,403	9,271	8,808	5,015
EBITDA	(348)	1,653	2,261	1,698	342
EBITDA Margin (%)	(12.2)	22.3	24.4	19.3	6.8
PAT	(396)	1,109	1,537	1,155	109
EPS (Rs)	(35.5)	99.4	137.8	103.6	9.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	48.3	48.3	48.3	48.3	47.9
FIIs	25.5	25.2	25.3	25.9	23.6
DII	13.4	14.8	15.5	15.5	18.0
Public and Others	12.8	11.7	10.8	10.3	10.5

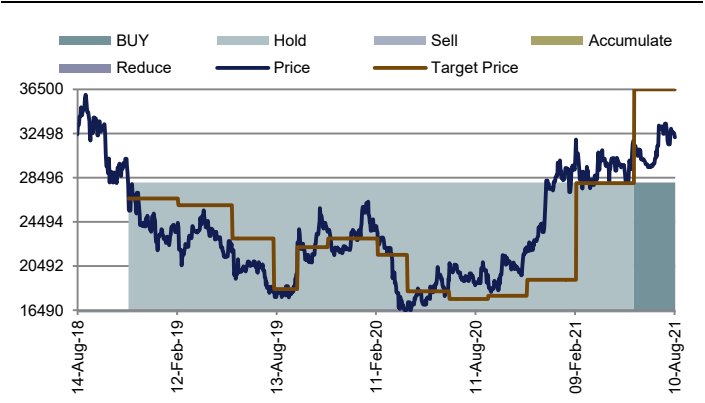
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
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
25-Dec-19	21,930	23,000	12m	Hold	Ashit Desai
15-Nov-19	23,762	23,000	12m	Hold	Ashit Desai
20-Sep-19	22,633	22,200	12m	Hold	Ashit Desai
08-Aug-19	18,481	18,400	12m	Hold	Ashit Desai
24-May-19	21,944	23,000	12m	Hold	Ashit Desai
09-Apr-19	24,577	26,000	12m	Hold	Ashit Desai
14-Feb-19	23,990	26,000	12m	Hold	Ashit Desai
15-Nov-18	25,601	26,600	12m	Hold	Ashit Desai
13-Aug-18	32,392	30,500	12m	Hold	Ashit Desai

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Goods & Retail



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Sector

Consumer Goods & Retail

Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 13 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Consumer Goods & Retail	10.41	10.41	0%	0	100.00
Asian Paints	1.45	0.52	-64%	-92	5.03
Berger Paints	0.21	0.00	-100%	-21	0.00
Britannia Industries	0.46	0.55	19%	9	5.29
Colgate-Palmolive	0.24	0.26	11%	3	2.54
Dabur India	0.35	0.39	11%	4	3.75
Emami	0.13	0.13	4%	0	1.27
Godrej Consumer Products	0.40	0.43	6%	3	4.09
Hindustan Unilever	2.30	1.76	-24%	-54	16.88
ITC	1.97	2.04	4%	8	19.63
Marico	0.29	0.31	6%	2	2.94
Nestle India	0.70	0.52	-26%	-18	4.98
Pidilite Industries	0.37	0.00	-100%	-37	0.00
Radico Khaitan	0.00	0.32	NA	32	3.03
United Breweries	0.10	0.51	395%	41	4.91
United Spirits	0.00	0.32	NA	32	3.03
Varun Beverages	0.12	0.13	7%	1	1.22
ABFRL	0.07	0.17	154%	11	1.67
Jubilant FoodWorks	0.25	0.27	8%	2	2.56
Page Industries	0.20	0.32	57%	11	3.05
Shoppers Stop*	0.00	0.00	NA	0	0.00
Titan Company	0.81	1.03	28%	23	9.92
TCNS Clothing	0.00	0.19	NA	19	1.87
Westlife Development	0.00	0.25	NA	25	2.36
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	12-Aug-20	10-Feb-21	12-May-21	12-Jul-21	11-Aug-21
EAP - Consumer Goods & Retail	100.0	107.0	121.4	120.2	131.6	132.7
BSE200 Neutral Weighted Portfolio (ETF)	100.0	101.1	116.3	115.3	125.1	126.0

*Performance measurement base date 1st April 2019

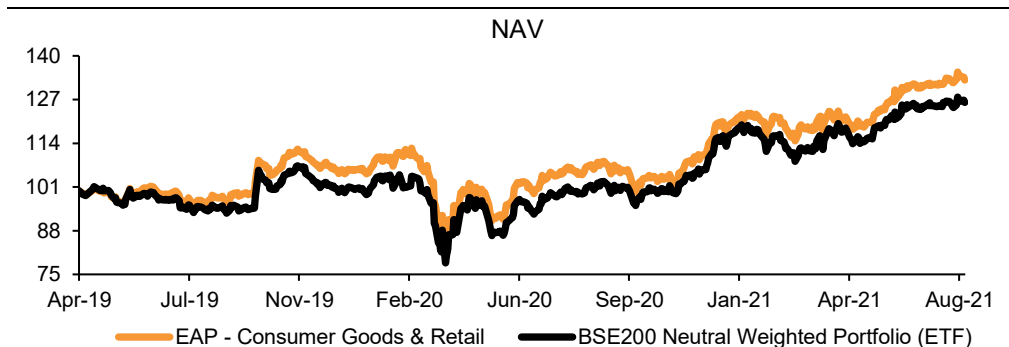
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Goods & Retail	0.8%	10.3%	9.2%	23.9%
BSE200 Neutral Weighted Portfolio (ETF)	0.7%	9.3%	8.4%	24.7%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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: 13 Aug 2021 03:04:53 (SGT)

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