

# Page Industries Ltd

ADD

CMP Rs31,840

Target Rs35,558

Upside 11.7%

## Growth outlook improves on continued athleisure momentum and distribution push

### Quarter Highlights

- ✓ **Result highlights** – Better than expected revenue growth at 63% yoy led by 54% volume growth from a low base (but still a strong 2-yr CAGR of 20%) continuing 3Q momentum; gross margins impacted by 120bps given RM inflation not fully passed on; normalization of operating expenses led to lower than expected EBITDA margins at 19.3% (up 192% due to low base), lower WC and tax led to 273% growth in PAT.
- ✓ **Distribution expansion** – Company had record addition of 14,250 MBOs and 180 EBOs to its network in FY21 in addition to doubling of share of eCom revenues.
- ✓ **Current situation** – Manufacturing shut for past one month but sufficient pipeline inventories, confident of continued momentum seen in 2HFY21 post unlock.
- ✓ **Other highlights** – Athleisure and eCom only segments which saw positive volume growth in FY21, focus on rural markets and kids segment to add incremental growth, 90% ARS coverage, new CEO VS Ganesh to take charge from next month.

**Valuation and view** – Page has seen a further improvement in growth trajectory with 2-yr revenue CACGR improving from 12% in 3Q to 20% in 4Q. Growth continues to be led by athleisure and kidswear segments. We believe it is a combination of better realizations due to higher athleisure mix, increased distribution reach, contribution from kidswear and a strong recovery in larger cities. With the company getting its marketing investments back on track with special emphasis on POS reach out, kids business and rural markets, growth should come back to the 15-20% trajectory given penetration levels are still very low and scope for 8-10% annual distribution expansion still exists. Ongoing capex towards doubling capacity in 5-6 years give increased confidence towards strong medium-term growth. We believe most of this growth should sustain given a recovery in overall market. Margins should also get back to the 21-22% range with strong brand equity and positioning coupled with product innovation making price hikes not very difficult. Higher distributor ROIs and lesser dead stock under the Auto Replenishment system to should also help solve the distributor attrition issue.

We increase our FY22/23 EPS estimates by 2.2%/4.8% to build in higher revenue growth and slightly lower margins. We build in 23%/36%/39% CAGR in revenue/EBITDA/PAT over FY21-23E expecting a strong recovery from 2Q onwards coupled with normalized margins. Strong WC management and high dividend payouts of 80% plus should keep return ratios healthy further supporting premium valuations. We reiterate our ADD rating on the stock with a PT of Rs 35,558 based on 60x FY23E earnings, in-line with its historic average. Key risks would be intense competition in the innerwear space impacting growth and/or margins & a prolonged lockdown of markets.

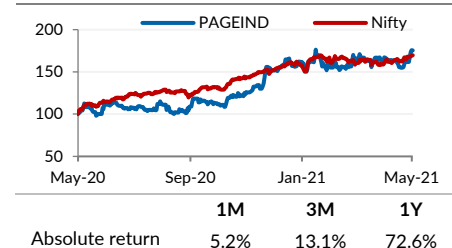
### Exhibit 1: Result table

(Rs mn)	Q4FY21	Q4FY20	% yoy	Q3FY21	% qoq
Total sales	8,808	5,413	62.7	9,271	(5.0)
EBITDA	1,698	581	192.1	2,262	(24.9)
EBITDAM (%)	19.3	10.7		24.4	
Depreciation	156	163	(4.5)	156	(0.3)
Interest	72	85	(16.2)	74	(3.1)
Other income	56	99	(43.9)	42	33.9
PBT	1,526	432	253.4	2,073	(26.4)
Tax	371	122	204.8	536	(30.8)
Adjusted PAT	1,156	310	272.5	1,537	(24.8)
PATM (%)	13.1	5.7		16.6	
EPS (Rs)	103.6	27.8		137.8	

### Stock data (as on May 27, 2021)

Nifty:	15,338
52 Week h/l (Rs)	32460 / 17636
Market cap (Rs/USD mn)	354297 / 4881
Outstanding Shares	11
6m Avg t/o (Rs mn):	1,335
Div yield (%):	0.8
Bloomberg code:	PAG IN
NSE code:	PAGEIND

### Stock performance



### Shareholding pattern (As of Mar'21 end)

Promoter	48.3%
FII+DII	40.9%
Others	10.1%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	35,558	33,920

### Financial Summary

(Rs mn)	FY21	FY22e	FY23e
Net Revenue	28,330	36,678	42,931
YoY Growth (%)	(3.8)	29.5	17.0
EBITDA	5,266	7,920	9,707
Margins (%)	18.6	21.6	22.6
PAT	3,406	5,328	6,610
YoY Growth (%)	(0.8)	56.5	24.1
ROE (%)	40.0	57.1	63.5
ROCE (%)	55.8	75.5	80.4
EPS(Rs/share)	305.3	477.7	592.6
P/E(x)	104.0	66.5	53.6
EV/EBITDA(x)	66.5	44.7	36.4

### Δ in earnings estimates

	FY22e	FY23e
EPS (New)	477.7	592.6
EPS (Old)	467.4	565.3
% change	2.2%	4.8%

**HIMANSHU NAYYAR**  
Lead Analyst

himanshu.nayyar@ysil.in  
+91 99209 15754



**ANKIT MAHAJAN**, Associate

ankit.mahajan@ysil.in

**AMAR AMBANI**, Sr. President, Head of Research

amar.ambani@ysil.in

## CONCALL TAKEAWAYS

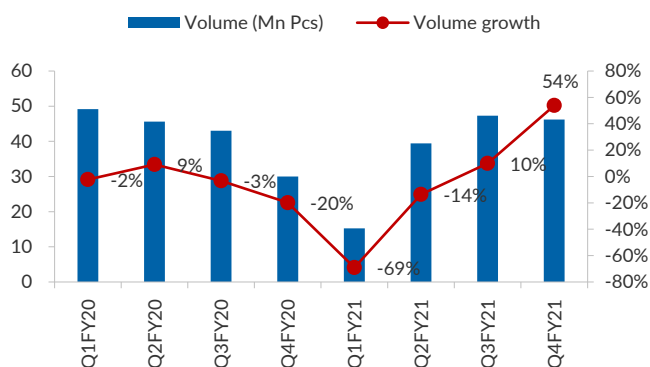
- ✓ **Management commentary** - Revenue up 63% and volume up 54%, FY21 revenue down just 3% despite washout in 1QFY21, 90% of 78,000 MBOs active, added 14,250 MBOs during the year, 930 EBOs, added 180 EBOs during the year; 2361 LFS doors reopened, eCommerce growing at strong pace, strong demand momentum, closely observing current situation, will resume business cautiously post unlock, better prepared than last year, marketing initiatives continue, focused on POS reach out, kids business remains focus area with strong consumer acceptance, have 38 exclusive Junior EBOs and reach in 50 cities which will double in FY22, increasing depth in current markets and entering new markets, present in 2890 cities/towns, specific plans for rural markets, confident on maintain growth going forward, Vedji Ticku stepping down at May end with VS Ganesh, ED (Manufacturing & Operations) taking over as CEO; margins lower as company started normalizing/relaxing all operating expenses given confidence stemming from 3Q, best WC and cash generation year, 435crs cash, NWC 513crs up 458crs yoy, inventory down by 167crs, debtors up 63crs.
- ✓ **Current situation** - Sales growth was strong till the lockdown which led to factory closure, were allowed to operate with 50% workforce but decided to keep factories shut, not producing for last one month, will take a call in early June when lockdown ends.
- ✓ **Inventory management** - Have enough pipeline stock with company warehouses and channel partners, should be able to service demand once the unlock happens.
- ✓ **Secondary sales** - Secondary sales were even higher than primary sales in the quarter, with company witnessing lower stock at a few channel partners.
- ✓ **Margin outlook** - Continue to target 21% plus EBITDA margins, not worried about demand impact due to price hikes.
- ✓ **Long term growth outlook** - Delivered similar volume and value in FY21 compared to FY20 despite only 9 months of proper operations, 3Q and 4Q were best ever quarters in Page's history indicating strong underlying demand especially for athleisure, kids business grew 75%; expect these trends to continue; can still get back to a sustainable 15-20% growth trajectory and reach USD 1bn sales in 4-5 years.
- ✓ **Market penetration** - Out of 150mn target market, cater to only 20% men and 6-8% women out of that, market opportunity remains immense, aggressive distribution expansion helping reach more customers.
- ✓ **Inventory increase** - Built up higher than normal inventory given threat of RM inflation, will increase it further to avoid loss of sales, payables higher as bought towards end of quarter.
- ✓ **Geographic footprint** - Top 6 cities contribution was hit in 1HFY21 but recovered sharply in 2H, new MBOs opened across metros and smaller cities/towns.
- ✓ **ARS coverage** - Channel happy with ARS given higher ROIs and lesser slow-moving stock, reached almost 90% reach under ARS again as of now; had to stop the system during the pandemic as smaller distributors were not getting deliveries given production disruption.
- ✓ **Input cost inflation and price hikes** - Taken 4-5% blended price hike in FY21, did not take a bigger hike which impacted GMs in order to retain market share; high inflation expectations on RM have come off currently due to lockdown, will relook at next round of price hikes in late 2Q or early 3QFY22.
- ✓ **Segmental growth** - Only athleisure and eCom business have shown positive volume growth in FY21, other segments have seen a marginal decline.

# Page Industries Ltd

- ✓ **Rural portfolio** – Have created an exclusive rural bucket of 35 fast moving value for money products.
- ✓ **Economy segment** - Domestic players doing well due to premiumization happening from unorganized to organized players and business getting formalized.
- ✓ **E-commerce growth** - eCommerce contribution has increased from 4% to 8% of sales, 10% remains a sustainable number for the company.
- ✓ **Men's innerwear outlook** - Men's innerwear still the largest contributor to revenue which will grow led by distribution expansion and new launches.
- ✓ **Full family vs single segment stores** - Priority is to open full family EBOs, but need to open exclusive men, women, kids and athleisure EBOs given the market dynamics and expanding portfolio within segments
- ✓ **MBO universe** – Believe growing MBO footprint by 8-10% annually is possible for at least the next decade, given the natural growth especially in Tier 3,4 and rural markets.

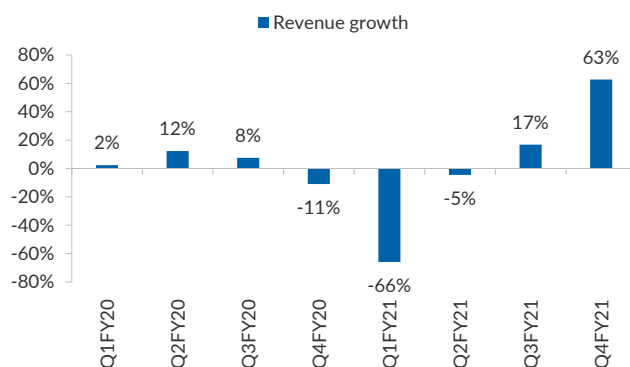
## CHARTS

**Exhibit 2: Robust recovery in volumes in 2HFY21 indicating recovery in underlying demand**



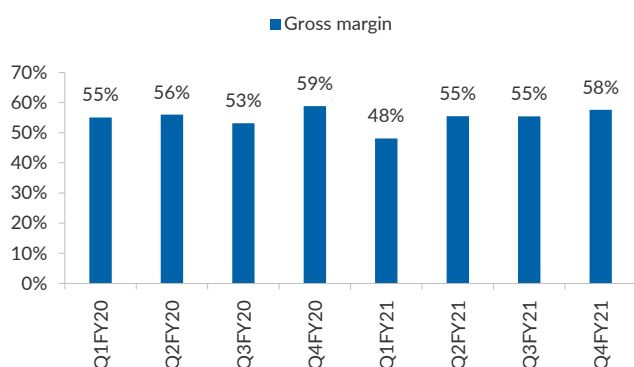
Source: Company, YES Sec - Research

**Exhibit 3: Revenue growth further aided by 4-5% blended price hike**



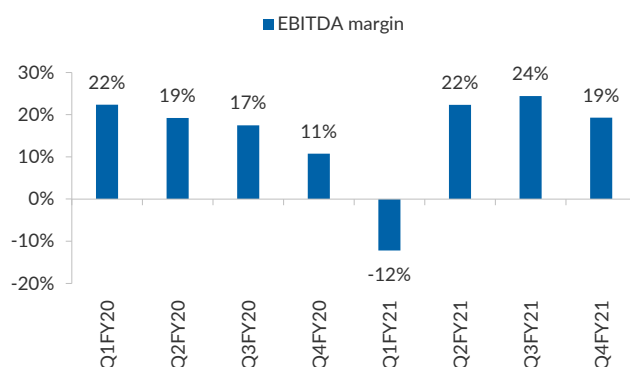
Source: Company, YES Sec - Research

**Exhibit 4: Gross margin dips 120bps YoY given inflation in input costs which was not fully passed on**



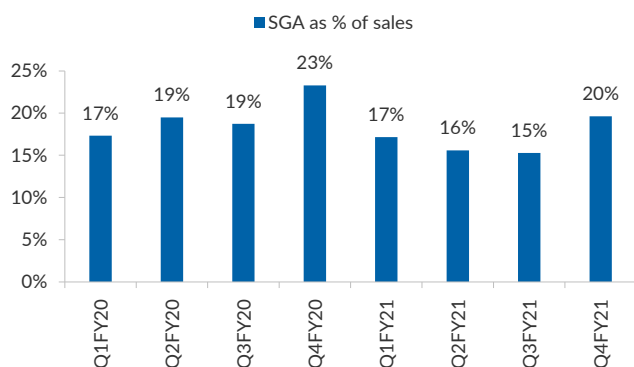
Source: Company, YES Sec - Research

**Exhibit 5: EBITDA margin declined as Page started normalizing all operating expenses**



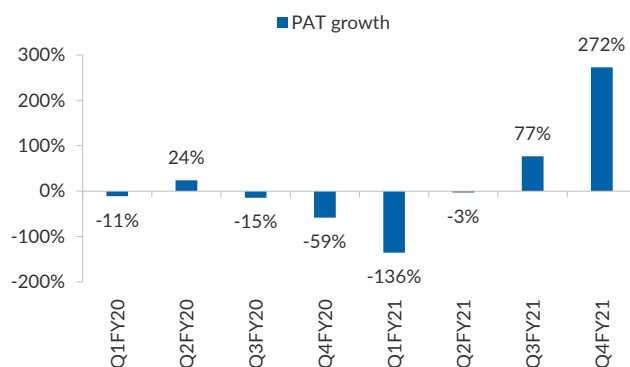
Source: Company, YES Sec - Research

**Exhibit 6: SGA expenses normalized to levels of FY20**



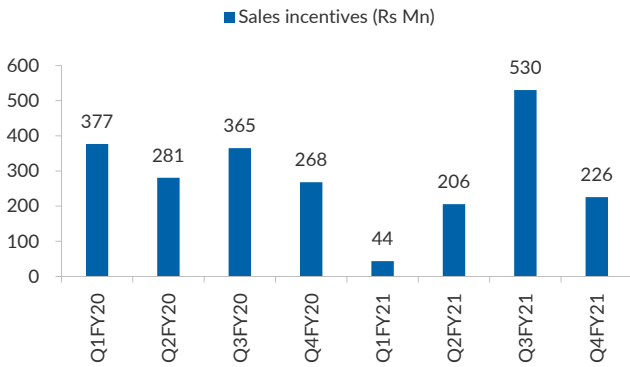
Source: Company, YES Sec - Research

**Exhibit 7: Exponential earnings growth led by EBITDA growth albeit on low base**



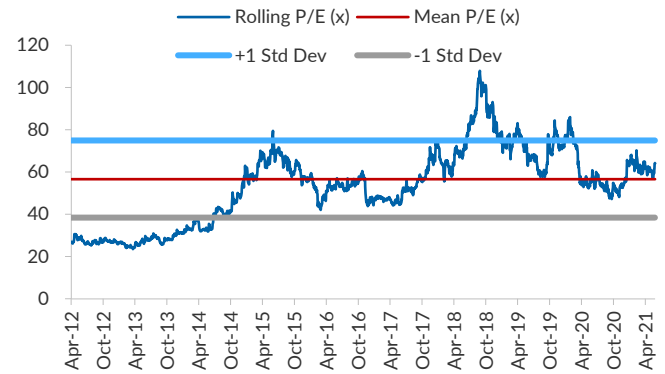
Source: Company, YES Sec - Research

**Exhibit 8: Sales incentives lower than last year**



Source: Company, YES Sec – Research

**Exhibit 9: Currently trading at 64x one-yr fwd earnings**



Source: Company, YES Sec – Research

## FINANCIALS

### Exhibit 10: Balance sheet

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Equity capital	112	112	112	112	112
Reserves	8,361	7,638	8,087	8,737	9,702
Net worth	8,473	7,750	8,199	8,849	9,813
Debt	496	725	268	0	944
Deferred tax liab (net)	110	125	2	22	22
Other non current liabilities	131	93	1,162	982	1,035
Total liabilities	9,210	8,694	9,631	9,853	11,815
Fixed Asset	2,965	3,079	3,298	3,165	5,353
Investments	2,180	0	0	0	0
Other Non-current Assets	1,131	1,247	2,739	2,541	2,746
Net Working Capital	2,265	3,927	2,425	-202	2,292
Inventories	5,679	7,501	7,186	5,549	8,039
Sundry debtors	1,480	1,238	738	1,371	1,507
Loans and Advances	21	0	0	0	0
Sundry creditors	1,363	1,220	938	2,175	2,010
Other current liabilities	3,317	3,432	4,287	4,748	5,024
Cash & equivalents	669	441	1,169	4,350	1,424
Total Assets	9,210	8,694	9,631	9,853	11,815

### Exhibit 11: Income statement

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Revenue	28,522	29,454	28,330	36,678	42,931
Operating profit	6,169	5,326	5,266	7,920	9,707
Depreciation	311	614	629	812	912
Interest expense	163	339	297	327	360
Other income	364	246	195	296	355
Profit before tax	6,060	4,620	4,534	7,076	8,790
Taxes	2,121	1,188	1,128	1,748	2,180
Net profit	3,940	3,432	3,406	5,328	6,610

## Exhibit 12: Cash flow statement

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
PBIT	6,223	4,959	4,832	7,403	9,150
Depreciation	311	614	629	812	912
Tax paid	(2,121)	(1,188)	(1,128)	(1,748)	(2,180)
Working capital Δ	(1,663)	1,502	2,627	(2,495)	(406)
Other operating items					
Operating cashflow	2,750	5,887	6,960	3,973	7,476
Capital expenditure	(425)	(832)	(497)	(3,000)	(1,000)
Free cash flow	2,326	5,054	6,463	973	6,476
Equity raised	(155)	(883)	507	0	-
Investments	2,180	-	-	-	-
Debt financing/disposal	230	(457)	(268)	944	47
Interest Paid	(163)	(339)	(297)	(327)	(360)
Dividends paid	(4,508)	(2,101)	(3,263)	(4,364)	(5,414)
Other items	(139)	(547)	39	(152)	(167)
Net Δ in cash	(228)	728	3,181	(2,926)	583

## Exhibit 13: Du-pont analysis

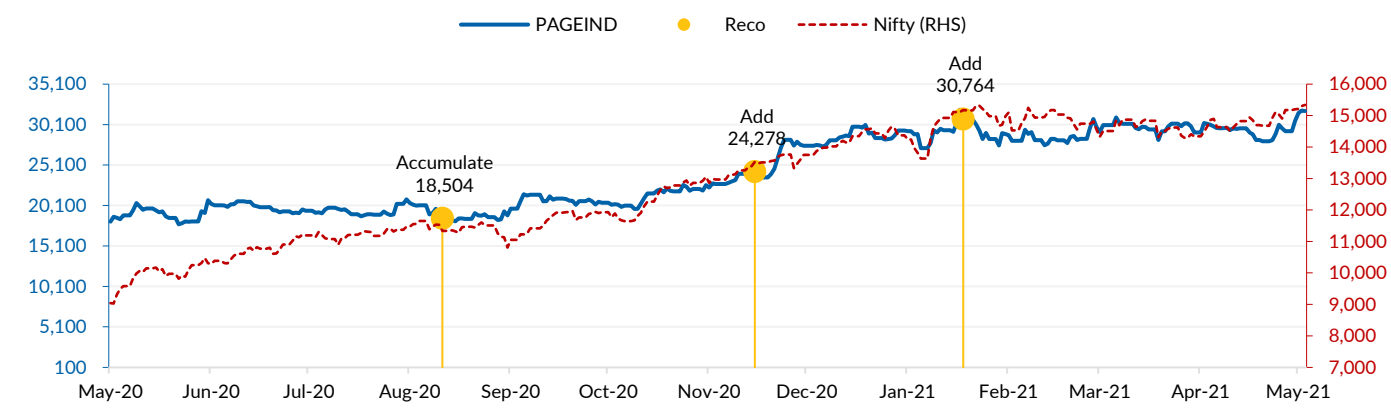
Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Tax burden (x)	0.7	0.7	0.8	0.8	0.8
Interest burden (x)	1.0	0.9	0.9	1.0	1.0
EBIT margin (x)	0.2	0.2	0.2	0.2	0.2
Asset turnover (x)	2.1	2.1	1.8	2.0	2.1
Financial leverage (x)	1.7	1.8	1.9	1.9	2.0
RoE (%)	48.6	43.0	40.0	57.1	63.5

## Exhibit 14: Ratio analysis

Y/e 31 Mar	FY19	FY20	FY21	FY22E	FY23E
<b>Growth matrix (%)</b>					
Revenue growth	11.8	3.3	(3.8)	29.5	17.0
Op profit growth	14.1	(13.7)	(1.1)	50.4	22.6
EBIT growth	16.5	(20.3)	(2.6)	53.2	23.6
Net profit growth	13.5	(12.9)	(0.8)	56.5	24.1
<b>Profitability ratios (%)</b>					
OPM	21.6	18.1	18.6	21.6	22.6
EBIT margin	21.8	16.8	17.1	20.2	21.3
Net profit margin	13.8	11.7	12.0	14.5	15.4
RoCE	71.3	58.5	55.8	75.5	80.4
RoNW	48.6	43.0	40.0	57.1	63.5
RoA	28.5	24.0	21.2	29.6	32.5
<b>Per share ratios</b>					
EPS	351.8	307.7	305.3	477.7	592.6
Dividend per share	335.4	188.4	292.5	391.2	485.4
Cash EPS	379.5	362.7	361.8	550.5	674.4
Book value per share	692.0	735.1	793.3	879.8	987.1
<b>Valuation ratios</b>					
P/E	90.3	103.2	104.0	66.5	53.6
P/CEPS	83.7	87.6	87.8	57.7	47.1
P/B	45.9	43.2	40.0	36.1	32.2
EV/EBIDTA	57.7	66.4	66.5	44.7	36.4

Y/e 31 Mar	FY19	FY20	FY21	FY22E	FY23E
<b>Payout (%)</b>					
Dividend payout	114.4	61.2	95.8	81.9	81.9
Tax payout	35.0	25.7	24.9	24.7	24.8
<b>Liquidity ratios</b>					
Debtor days	16	9	18	15	15
Inventory days	96	89	71	80	80
Creditor days	16	12	28	20	20

## Recommendation tracker





## DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

## DISCLOSURE OF INTEREST

Name of the Research Analyst : Himanshu Nayyar, Ankit Mahajan

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

### YES Securities (India) Limited

**Registered Office:** Unit No. 602 A, 6th Floor, Tower 1 & 2, One International Center, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400013, Maharashtra, India.

Email: [research@ysil.in](mailto:research@ysil.in) | Website: [www.yesinvest.in](http://www.yesinvest.in)

**Registration Nos.:** CIN: U74992MH2013PLC240971 | SEBI Single Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE – 6538, NSE – 14914, MCX – 56355 & NCDEX - 1289 | MERCHANT BANKER: INM000012227 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code – 94338.

**Details of Compliance Officer:** Name: Vaibhav Purohit, Email id: [compliance@ysil.in](mailto:compliance@ysil.in), Contact No-+91-22-33479208

## **RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS**

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Potential return >15% over 12 months

**ADD:** Potential return +5% to +15% over 12 months

**REDUCE:** Potential return -10% to +5% over 12 months

**SELL:** Potential return <-10% over 12 months

**NOT RATED / UNDER REVIEW**

## **ABOUT YES SECURITIES (INDIA) LIMITED**

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a SEBI registered stock broker holding membership of NSE, BSE, MCX & NCDEX. YSL is also a SEBI registered Category I Merchant Banker, Investment Adviser and a Research Analyst. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.