

Page Industries Ltd

MARKET PERFORMER

Sector: Apparels /Mid-Cap | Earnings Update – 3QFY22

16 February 2022

Background: Page Industries is the exclusive licensee of Jockey International Inc (USA) to manufacture and distribute Jockey brand in India, Sri Lanka, Nepal, Bangladesh and UAE till 2040. They broadly operate in premium men's innerwear; women's innerwear and leisure wear segments. Jockey enjoys high brand recall and they spend ~5% of their annual sales for brand building and promotional activity, which enables them to dominate most of the segments in which they operate. They are also exclusive licensee of Speedo swimwear brand in India. Page has network in ~250 cities and ~760 exclusive brand outlets in India. They compete with major brands like Crusoe, Hanes, Lovable and Enamor.

Sensex	57,997
Nifty	17,322
Price	₹ 41,195
Target Price (12 months)	₹ 39,231
Recommendation	MARKET PERFORMER

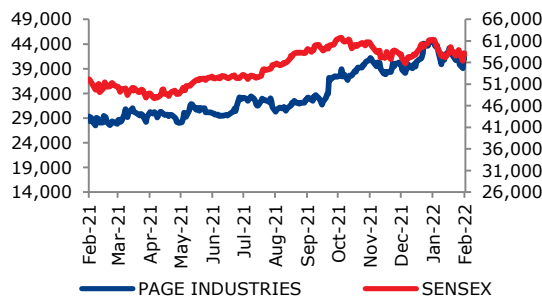
52 Week High/Low	₹ 45,163/27,288
Bloomberg / Reuters	PAG IN/ PAGE.BO
Equity (shares in mn)	11.1
Mkt. Cap in bn	₹ 458.5/\$6.1
Avg. Daily Vol. ('000)	44.7
Avg. Daily Vol. (mn)	₹1,837/\$24.3

Shareholding	Dec-20	Sept-21	Dec-21
Promoters (%)	48.3	47.9	47.2
FII (%)	25.3	23.7	25.1
DII (%)	16.3	18.8	17.9
Others (%)	10.1	9.5	9.8
Pledge (% of promoter holding)	0.0	0.0	0.0

Valuation Summary (₹ bn)

Y/E March	2022E	2023E	2024E
Revenue	39.8	48.7	50.3
EBITDA	7.2	8.8	9.2
PAT	4.8	6.3	6.8
EPS	431.7	560.4	605.8
% growth	41.4	29.8	8.1
PE	95.4	73.5	68.0
P/ BV	40.8	31.9	25.9
EV/EBITDA	48.1	39.3	49.6
EV/Sales	8.7	7.1	9.1
Div Yield (%)	0.5	0.7	0.7
ROE (%)	42.8	43.5	38.0

Performance(%)	1M	3M	12M
PAGE INDUSTRIES	-5.5%	0.7%	41.4%
SENSEX	-4.5%	-3.4%	19.7%



Robust performance driven by strong volume growth; Management remains optimistic of maintaining margins to the tune of 20-21%; Growth in Athleisure, kids wear and rural penetration to drive top line

- During the quarter 3QFY22 revenue increased by 28.3% YoY (9.8% QoQ) to ₹11.9bn, led by 28.3% YoY growth in volume to 59.8mn pieces. Better product mix, as well as price increases, also aided top-line improvement. PAGE saw increased momentum in sales across all its product categories driven by portfolio enhancement and distribution expansion.
- Gross Margins (GM) came in at 53% down ~176bps YoY on account of RM (cotton and yarn prices) inflation. EBITDA came in at ₹2.4bn which was up 7.1% YoY with an EBITDA Margin of 20.4% compared with 24.4% in 3QFY21 (-440bps), due to sharp rise in Other Expenses (+90bps YoY) and higher employee expenses (+20bps YoY). Adjusted PAT came in at ₹1.8bn up 8.0% YoY on account of better revenue growth and strong operational performance. The management had taken a ~3% price hike in December and Jan '22 to mitigate RM price (+13% YTD) increases and has been able to maintain EBITDA margin above 20% in 3QFY22 through its stringent cost control measures. (Management expects EBITDA margins to stay between ~20-21% in the coming quarters). Page is closely monitoring the raw material prices and will decide on any future price hikes based on the movement in raw material prices.
- Total Multi brand outlets (MBOs):** PAGE will continue to maintain the pace of outlet expansion both across EBOs and MBOs and is looking to reach ~150,000 MBO outlets in next couple of years and double the EBO count from 1,000 EBOs in the next 4 years. It added ~11,000 new MBOs and 36 EBOs during the quarter taking the total to 105,200+ MBOs and 1030+ EBOs. The company also added 1 LFS & 80+ stores in this quarter in addition to 7 LFS & 226 stores in 1H. It is now present in India across 2,850+ towns. PAGE at present is targeting towns with 50K+ population and plans to go further into towns with 30K+ population as ~45% of Jockey's target audience resides in tier 3/4 towns. Page would focus on Tier 3 towns and below and about half the MBO additions would be in these areas. The company is enhancing its product range in existing MBOs as well as adding new ones to enhance sales.
- Among segments, Athleisure, Kids and Women innerwear continue to see stronger growth than Men's innerwear. The innerwear segment is witnessing a shift towards organised players. Small players have been affected on the back of COVID-19. Moreover, consumers have preferred branded products, helping the organised segment. Unorganised players account for about 60% of the overall industry, thus indicating a huge growth potential for players like Jockey. Kids wear has been the focus area of the company during this quarter and the company to date has opened 58 exclusive brand outlets (EBOs) of 'Jockey Junior'. The company has also appointed separate channel partners for the kids wear segment.
- Capex:** Page has been making capex of ₹3.0-4.0bn every year (based on its 5year plan) to grow in-house capacity and build strong outsourcing. The company seeks to meet the growing demand for its products and is expected that there will be major capex allocation done during 4QFY22E.

Valuation: Given faster than expected recovery in business momentum and consumer's rising preference towards trusted brands post pandemic we revise our estimates higher. The company's new product launches in Kids wear/Athleisure, increasing market penetration and healthy balance sheet paint a positive earnings outlook going forward and hence warrants a rating upgrade. At CMP, the stock is trading at 73.5x and 68.0x, FY23E and FY24E earnings respectively. We revise our rating on the stock to a Market Performer (earlier Under Performer) assigning a target price of ₹39,231 (earlier: ₹36,697).

Risks: Inflationary pressure increasing prices; raw material prices going up.

Results Summary 3QFY22

Y/E March (₹ mn)	3QFY22	3QFY21	YoY Growth	2QFY22	QoQ Growth
Revenue	11,898.0	9,270.6	28.3%	10,840.1	9.8%
EBITDA	2,422.6	2,261.4	7.1%	2,334.3	3.8%
Depreciation	167.0	156.3	6.9%	165.2	1.1%
Other Income	71.4	41.5	71.9%	53.6	33.2%
PBT	2,249.7	2,072.7	8.5%	2,148.2	4.7%
Tax	588.6	535.6	9.9%	543.3	8.3%
PAT	1,661.0	1,537.0	8.1%	1,604.9	3.5%
Adjusted PAT	1,828.1	1,693.3	8.0%	1,770.1	3.3%
EBITDA Margin (%)	20.4	24.4		21.5	
Tax Incidence (%)	26.2	25.8		25.3	
PAT Margin (%)	14.0	16.6		14.8	

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