

Page Industries Ltd

MARKET PERFORMER

Sector: Apparels /Mid-Cap | Earnings Update – 3QFY21

23 February 2021

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	49,744
Nifty	14,675
Price	₹ 27,813
Target Price (12 months)	₹ 28,612
Recommendation	MARKET PERFORMER

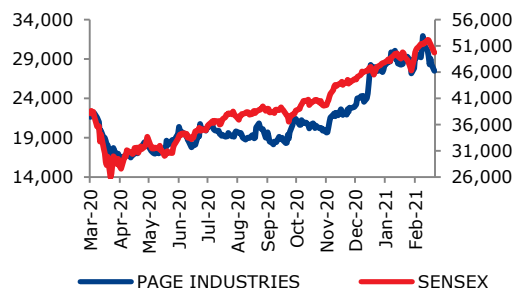
52 Week High/Low	₹ 32,372/16,186.7
Bloomberg / Reuters	PAG IN/ PAGE.BO
Equity (shares in mn)	11.1
Mkt. Cap in bn	₹ 310.2/ \$ 4.3
Avg. Daily Vol. ('000)	59.7
Avg. Daily Vol. (mn)	₹ 1,659.9 / \$ 22.9

Shareholding	Dec-19	Sep-20	Dec-20
Promoters (%)	48.3	48.3	48.3
FII (%)	31.5	25.2	25.3
DII (%)	8.5	15.5	16.3
Others (%)	11.7	11.0	10.1
Pledge (% of promoter holding)	0.0	0.0	0.0

Valuation Summary (₹ bn)

Y/E March	2021E	2022E	2023E
Revenue	29.0	35.3	40.4
EBITDA	5.6	7.3	9.0
PAT	3.5	5.1	6.1
EPS	311.6	460.8	550.1
% growth	1.3	47.9	19.4
PE	89.3	60.4	50.6
P/ BV	31.2	24.8	19.9
EV/EBITDA	54.6	41.9	33.9
EV/Sales	10.6	8.7	7.6
Div Yield (%)	0.6	0.8	1.0
ROE (%)	35.0	41.1	39.4

Performance(%)	1M	3M	12M
PAGE INDUSTRIES	-6.3	25.6	19.5
SENSEX	1.8	14.1	23.2



Growth in volume and ASPs drive topline; Management expects growth in Athleisure coupled with cost saving initiatives to stabilize margin at 21-23% levels going ahead.

- In 3QFY21 revenue increased by 16.8% YoY (25.2% QoQ) to ₹9.2bn on account of ~10% YoY (22% QoQ) increase in volumes and higher ASPs, due to product mix inclining towards Athleisure. The company witnessed sharp sales recovery owing to pent-up demand, increased footfall on account of easing of lockdown restrictions and improved traction from festive season and online sales.
- Athleisure witnessed highest growth among categories, registering double digit growth during the quarter. The management expects the healthy demand to sustain going ahead. Meanwhile, women's inner wear segment too increased in double digits during 3QFY21. The company's market share stood at 6-7% (vs ~20% for men's inner wear) providing ample scope for growth in the segment.
- The supply side constraints look largely reduced with 100% EBOs, 94% of MBO touch points and 93% of LFS stores now fully operational. Manufacturing and warehousing have reached normalcy. The management plans to add 2000+ stores by end of the year taking the total count to 10,000 stores.
- Together with volume increase, realizations during 3QFY21 increased by 7% YoY owing to favorable product mix, higher share of Athleisure. Page did not take any price increase in 3QFY21, as the management believes that the price hike taken in August 2020 was sufficient for FY21. Meanwhile, E-commerce channel contribution to sales continues to be robust at 2x its average sales. Going forward, increasing realization, upward trend in e-commerce and favorable product mix should continue to aid in revenue growth.
- Gross margins improved by 228bps YoY to 55.4% (vs 53.2% in 3QFY20) during the quarter. In addition, a reduction in other opex and employee expenses as a percentage of sales by 344bps and 119bps, respectively buoyed EBITDA margins to an all-time high of 24.4% in 3QFY21. EBITDA increased by 62.9% YoY (36.8% QoQ) to ₹2.2bn. The yarn prices have inched up however the management expects stable prices ahead as the company procures RM in advance. EBITDA margin is expected to sustain at 21-23% (historical levels) as the management aims to achieve it through continued cost saving initiatives.
- During the quarter, an increase in other income by 19.1% YoY to ₹42mn coupled with strong operational performance led to healthy improvement in PAT by 76.6% YoY to ₹1.5bn.
- The company has set a maintenance capex of ₹730mn for FY21. Capex for FY22E is expected to be ₹3bn (not finalized) which will include for maintenance and capacity expansion. The management maintains its 5 year target of US\$1mn sales

Valuation: The management remains optimistic of demand sustaining its upward trajectory while its investments in supply chain like Distribution Management system and Automatic Replenishment systems are expected to support earnings growth. New launches in Athleisure, increasing market penetration and healthy balance sheet paint a positive outlook on the stock. At CMP, the stock is trading at 60x and 50x, FY22E and FY23E earnings respectively. Given robust pace of recovery in business and likely sustainability of margins we revise our rating on the stock to MARKET PERFORMER from UNDER PERFORMER with target price of ₹28,612.

Risks: Increase in consumer discretionary spends; Rise in market share; Decline in raw materials price movement.

Results Summary 3QFY21

Y/E March (₹ mn)	3QFY21	3QFY20	YoY Growth	2QFY21	QoQ Growth
Revenue	9,270.6	7,938.0	16.8%	7,403.1	25.2%
EBITDA	2,261.4	1,387.8	62.9%	1,653.6	36.8%
Depreciation	156.3	164.0	-4.7%	156.6	-0.2%
Other Income	41.5	34.8	19.1%	37.1	11.8%
PBT	2,072.7	1,169.0	77.3%	1,459.0	42.1%
Tax	535.6	298.8	79.2%	350.3	52.9%
PAT	1,537.0	870.2	76.6%	1,108.7	38.6%
Adjusted PAT	1,693.3	1,034.2	63.7%	1,265.3	33.8%
EBITDA Margin (%)	24.4	17.5		22.3	
Tax Incidence (%)	25.8	25.6		24.0	
PAT Margin (%)	16.6	11.0		15.0	

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