

# Page Industries Ltd

## MARKET PERFORMER

Sector: Apparels /Mid-Cap | Earnings Update – 4QFY21

28 May 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.

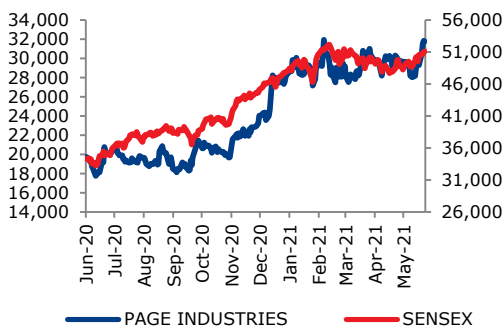
Sensex	51,422
Nifty	15,435
Price	₹ 31,326
Target Price (12 months)	₹ 29,886
Recommendation	MARKET PERFORMER

52 Week High/Low	₹ 32,450/17,639
Bloomberg / Reuters	PAG IN/ PAGE.BO
Equity (shares in mn)	11.1
Mkt. Cap in bn	₹ 349.4/ \$ 4.8
Avg. Daily Vol. ('000)	47.7
Avg. Daily Vol. (mn)	₹ 1,495.5 / \$ 20.6

Shareholding	Mar-20	Dec-20	Mar-21
Promoters (%)	48.3	48.3	48.3
FII (%)	29.2	25.3	25.9
DII (%)	10.0	16.3	16.2
Others (%)	12.2	10.1	9.61
Pledge (% of promoter holding)	0.0	0.0	0.0

Valuation Summary (₹ bn)			
Y/E March	2021	2022E	2023E
Revenue	28.3	30.7	38.3
EBITDA	5.3	6.4	8.6
PAT	3.4	4.6	5.9
EPS	305.4	409.2	528.9
% growth	-0.8	34.0	29.2
PE	102.6	76.6	59.2
P/ BV	39.5	31.4	24.8
EV/EBITDA	66.0	53.9	40.4
EV/Sales	12.3	11.3	9.1
Div Yield (%)	0.5	0.7	0.8
ROE (%)	38.5	41.0	41.9

Performance(%)	1M	3M	12M
PAGE INDUSTRIES	5.8	9.3	68.4
SENSEX	2.8	-0.4	57.6



### Strong show driven by robust volume growth; Management expects lockdowns to impact sales in 1QFY22 but rebound in 2HFY22; Growth in Athleisure and rural penetration to drive topline while cost saving initiatives to stabilize margins at 21-23%

- In 4QFY21 revenue increased by 62.7% YoY (-5% QoQ) to ₹8.8bn on account of ~54% YoY increase in volumes, price hikes and better product mix. The product mix during the quarter was inclined towards Athleisure and Junior. In addition the company's aggressive focus on women and kids segments, better distribution strategy and increasing contribution from e-commerce has aided topline in 4QFY21. The company expects sales to be impacted in 1QFY22 due to the ongoing lockdowns however remains confident of repeating the recovery witnessed in 2HFY21.
- The management believes there is ample scope to improve in the innerwear category as the company currently serves only 20% of men's market and 6-8% in women's market. The management is planning to open standalone stores catering to Athleisure going forward, given encouraging volumes in the segment.
- The distribution network has accelerated at a healthy pace with ~14,000 MBO additions (+18%) and 180 EBO additions (+29%) in FY21. The management plans for 8-10% annual expansion in distribution over the medium term. On the other hand the management plans to fuel topline by increasing rural market penetration. The strategy involves offering the rural market ~30 best-selling products already in the current portfolio and applying a price cut to make it suitable for the rural demand.
- Together with volume increase, realizations during 4QFY21 increased by 8.7% YoY owing to favorable product mix, higher share of Athleisure. Page took a 4-5% price increase in 4QFY21, to pass on the increase in yarn prices in recent months. Meanwhile, E-commerce channel contribution to sales continues to be robust at 8% in FY21 (vs 4% in FY20). Margins from E-commerce are higher than company average. Going forward, upward trend in e-commerce and favorable product mix should continue to aid in revenue growth.
- Gross margins improved by 220bps QoQ to 57.6% (vs 55.4% in 3QFY21) owing to low priced inventory during the quarter. In addition, a reduction in other opex and employee expenses as a percentage of sales by 365bps YoY and 611bps YoY, respectively buoyed EBITDA margins to 19.3% in 4QFY21. EBITDA increased by 192.1% YoY (down 24.9% QoQ) to ₹1.6bn. RM inflation is expected to be higher in 1QFY22 but the management expects to offset it with price hikes. 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, healthy topline growth coupled with strong operational performance led to an improvement in PAT by 3.7x YoY to ₹1.1bn (vs ₹310mn in 4QFY20).

**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 76x and 59x, FY22E and FY23E earnings respectively. Given robust pace of recovery in business and likely sustainability of margins we maintain our rating on the stock as MARKET PERFORMER with revised target price of ₹29,886 (Earlier: ₹28,612).

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

### Results Summary 4QFY21

Y/E March (₹ mn)	4QFY21	4QFY20	YoY Growth	3QFY21	QoQ Growth
Revenue	8,807.7	5,412.6	62.7%	9,270.6	-5.0%
EBITDA	1,698.1	581.3	192.1%	2,261.4	-24.9%
Depreciation	155.8	163.0	-4.5%	156.3	-0.3%
Other Income	55.6	99.1	-43.9%	41.5	33.9%
PBT	1,526.3	431.9	253.4%	2,072.7	-26.4%
Tax	370.7	121.6	204.8%	535.6	-30.8%
PAT	1,155.6	310.2	272.5%	1,537.0	-24.8%
Adjusted PAT	1,311.4	473.3	177.1%	1,693.3	-22.6%
EBITDA Margin (%)	19.3	10.7		24.4	
Tax Incidence (%)	24.3	28.2		25.8	
PAT Margin (%)	13.1	5.7		16.6	

Arjun Prasad Pasumarthi

+91-44-40047363

arjunpp@chola.murugappa.com

**DISCLOSURES/ APPENDIX**  
**I. ANALYST CERTIFICATION**

I, **Arjun Prasad Pasumarthi** hereby certify (1) that the views expressed in this research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this research report, (2) No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by Cholamandalam Securities Limited or its Group/associates companies. (3) has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

**II. ISSUER SPECIFIC REGULATORY DISCLOSURES**, Unless specifically mentioned in Point No. 9 below:

1. The Research Analyst(s), Cholamandalam Securities Limited (CSL), Associate of Analyst or his relative does not have any financial interest in the company(ies) covered in this report.
2. The Research Analyst, CSL or its associates or relatives of the Research Analyst associates collectively do not hold more than 1% of the securities of the company (ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
3. The Research Analyst, his associate, his relative and CSL do not have any other material conflict of interest at the time of publication of this research report.
4. The Research Analyst, CSL and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in this report, in the past twelve months.
5. The Research Analyst, CSL or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report. \
6. CSL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party, in connection with the research report.
7. The Research Analyst has not served as an Officer, Director or employee of the company (ies) covered in the Research report.
8. The Research Analyst and CSL has not been engaged in market making activity for the company(ies) covered in the Research report.
9. Details CSL, Research Analyst and its associates pertaining to the companies covered in the Research report:

Sr.No.	Particulars	Yes/No
1	Whether compensation has been received from the company(ies) covered in the Research report in the past 12 months for investment banking transaction by CSL	No
2	Whether Research Analyst, CSL or its associates or relatives of the Research Analyst associates collectively hold more than 1% of the company(ies) covered in the Research report	No
3	Whether compensation has been received by CSL or its associates from the company(ies) covered in the Research report	No
4	CSL or its associates have managed or co-managed in the previous twelve months a private or public offering of securities for the company(ies) covered in the Research report	No
5	Research Analyst, his associate, CSL or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in the Research report, in the last twelve month	No

10. There are no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities.

**STOCK RATINGS**

**BUY** : The stock's total return is expected to exceed 15% over the next 12 months.

**OUT PERFORMER**: The stock's total return is expected to be within 5-15% over the next 12 months.

**MARKET PERFORMER** : The stock's total return is expected to be between -5% to +5% over the next 12 months.

**UNDER PERFORMER**: The stock's total return is expected to be between -15% to -5% over the next 12 months.

**SELL**: The stock's total return is expected to more than -15% over the next 12 months.

### III. DISCLAIMER

The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy completeness or correctness.

This document is for information purposes only. This report is based on information that we consider reliable, but we do not represent that it is accurate or complete, and one should exercise due caution while acting on it. Descriptions of any company or companies or their securities mentioned herein are not complete and this document is not, and should not be construed as an offer or solicitation of an offer to buy or sell any securities or other financial instruments.

Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. All opinions, projections and estimates constitute the judgment of the author as on the date of the report and these, plus any other information contained in the report, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. This report is intended for distribution to institutional investors.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject to CSL or its associates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof.

Any unauthorized use, duplication, redistribution or disclosure of this report including, but not limited to, redistribution by electronic mail, posting of the report on a website or page, and/or providing to a third party a link, is prohibited by law and will result in prosecution. The information contained in the Report is intended solely for the recipient and may not be further distributed by the recipient to any third party.

CSL generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, CSL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member

of any companies that the analysts cover. Our salespeople, traders, and other professionals or associates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. Our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The compensation of the analyst who prepared this document is determined exclusively by CSL however, compensation may relate to the revenue of CSL, of which sales and trading are a part. Research analysts and sales persons of CSL may provide important inputs to its affiliated company(ies).

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. CSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report including but not restricted to fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc

CSL and its associates, officers, directors, and employees subject to the information given in the disclosures may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation (financial interest) or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential material conflict of interest with respect to any recommendation and related information and opinions. The views expressed are those of the analyst and the Company may or may not subscribe to the views expressed therein.

CSL, its associates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall CSL, any of its associates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. The Company accepts no liability whatsoever for the actions of third parties.

The Report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Report refers to website material of the Company, the Company has not reviewed the linked site. Accessing such website or following such link through the report or the website of the Company shall be at your own risk and the Company shall have no liability arising out of, or in connection with, any such referenced website

CSL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any technical glitch to present the data. In no event shall the CSL be liable for any damages, including without limitation, direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by CSL through this presentation.

**Neither CSL, nor any of its other group companies or associates, shall be responsible for any decisions taken on the basis of this report. Investors are advised to consult their Investment and Tax consultants before taking any investment decisions based on this report.**

RESEARCH			
Kedar S Kadam	DGM & Head of Research	+91-44 - 4004 7361	kedarsk@chola.murugappa.com
Mugilan K	Technical Analyst	+91-44 - 4004 7353	mugilank@chola.murugappa.com
Arjun Prasad Pasumarthi	Fundamental Analyst	+91-44 - 4004 7363	arjunpp@chola.murugappa.com
Ammar Haider	Associate	+91-44 - 4004 7360	amarh@chola.murugappa.com
INSTITUTIONAL SALES			
Venkat Chidambaram	Head of FII Business & Corporate Finance*	+91-44 - 24473310	venkatc@chola.murugappa.com
Balaji H	Compliance Officer	044-30007226	balajih@chola.murugappa.com
Gayathri Devi	Customer service	1800 425 4477	gayathrids@chola.murugappa.com

\*Employees of Business Partner - RCCR