Page Industries

Accumulate

Annual Report Analysis FY21

Page Industries Annual report 2021 highlights Jockey's strong brand equity and leadership, channel and capacity expansion and sustainability initiatives. Page's volumes remained flat while revenues de-grew mere 3.8% in FY21, despite very sharp decline in H1FY21. Recovery in H2FY21 can be attributed to inherent strengths of the brand 'Jockey' and the company's distribution quality. We expect business to normalise in H2FY22E with complete opening of markets and consumer confidence coming back. Moreover, with strong brand recall of Jockey, strong in-house product development, manufacturing expertise and extensive distribution network, we expect healthy sales growth and profitability over the long term.

Women's and Athleisure to drive volume growth

According to company data, women's innerwear market would grow at 14% CAGR vs 10.3% CAGR for men's innerwear market till 2025. We believe that the women market has high growth potential considering low penetration and higher share of unorganized/non branded products. Going ahead, we believe that the company would focus on three key categories – women, kids and athleisure. The Athleisure and loungewear segment is picking up due to current 'work from home' norms.

Expanding network despite challenging scenario

Jockey is currently available in 78K+ outlets (66K+ outlets in FY20) across India. In FY21, the company opened 180 EBO's including 46 Jockey Woman EBO's and 38 Jockey Junior outlets, taking the total tally of EBO's to 930+, contributing ~10% to topline. (756 EBO's in FY20). The outlets are spread across India and also have a presence in Tier-II and III cities. With 4 EBO's in UAE (2 more in progress) and 2 in Sri Lanka, the company's international presence is still at a nascent stage. The company targets to grow its network 8-10% YoY over the next decade as there is huge headroom for growth, especially in Tier III and IV towns. It is strengthening distribution network in a phased manner in these markets. Given the recent entry into children's wear and new launches in athleisure, cross selling in EBOs is likely to gain momentum.

Jockey Juniors- New Focus Area

Jockey Juniors was a special focus area in FY21, business is witnessing encouraging trends and good customer response. Page has opened 38 Jockey Juniors EBO's. Although contribution is <2%, the business is expected to grow at a strong pace, going ahead. Further, the company appointed Jockey Junior specialty partners across 50 cities during phase 1 and expects to double the reach by FY22. Due to Covid, supply chain of many local players was impacted, which gives Jockey Junior an advantage.

Encouraging trends post lockdown

Page's sales were down by 36% YoY during H1FY21 due to Covid led lock downs. However, the sales recovered significantly in H2FY21 as the company posted mere 4% de-growth in revenues and flattish growth in volumes. We believe that the encouraging revival in the business was mainly due to (1) inherent brand strength (2) quick management response to supply constraints (3) pent up demand and (4) new launches. Liquidity situation remained unaffected during lockdown and cash flow situation has stabilised with business resumption, demonstrating its strong balance sheet. Higher share of in-house manufacturing (>70%) and a robust supply chain helped Page ensure adequate supply post lockdown. Online business is gaining traction and now contributes to ~8% to company's revenue from 4% pre Covid. To target smaller towns and cities, the management has created a basket of products from existing range, with reasonable pricing for those regions.

CMP	Rs 32,909
Target / Upside	Rs 32,552 / 1%
BSE Sensex	52,770
NSE Nifty	15,812

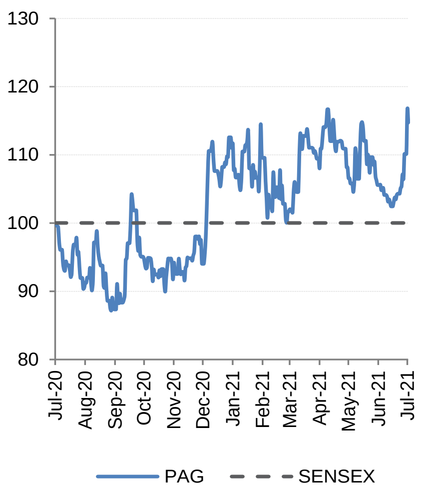
Scrip Details

Equity / FV	Rs 112mn / Rs 10
Market Cap	Rs 367bn
	US$ 5bn
52-week High/Low	Rs 33,385/Rs
Avg. Volume (no)	31,695
NSE Symbol	PAGEIND
Bloomberg Code	PAG IN

Shareholding Pattern Mar'21(%)

Promoters	48.3
MF/Banks/FIs	16.3
FIIs	25.3
Public / Others	10.1

Page Industries Relative to Sensex



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Annual Report Macro View

Key Management Changes	Mr. Vedji Ticku, Executive Director & CEO of the company resigned in February 2021, owing to personal commitments. Mr. V S Ganesh was appointed as "Executive Director & CEO" of the company for a period of 5 years effective 1st June 2021. Prior to this role, he was Executive Director –Manufacturing and Operations of the company since 2017. Mr. Pradeep Jaipuria retired as Chairman of the Board in Feb'21. Mr. Sandeep Maini, Independent Director was appointed as Chairman of the Board, wef 11th Feb 2021. The BOD recommended to re-appoint Mr. Sunder Genomal as Managing Director of the company for another term of 5 years commencing from 1st August 2021. As per the recommendation of M/s. Jockey International, Inc., the BOD appointed Mr. Mark Fedyk, President & COO of Jockey International as additional director under Non-Executive category in place of Mr. Tim Wheeler.
Auditors	The BOD recommended re-appointment of S.R. Batliboi & Associates LLP as the Statutory Auditors of the Company for another term of five years.
Pledged Shares	No shares were pledged during the year.
Credit Ratings	Long-term fund-based bank facilities: [ICRA]AA(Stable), reaffirmed Short-term non-fund based bank facilities: [ICRA]A1+, reaffirmed Long-term/Short-term unallocated bank facilities: [ICRA] AA(Stable)/[ICRA]A1+; reaffirmed
Macroeconomic Factors	Both, the advanced as well as developing economies across the world witnessed slowdown during FY21 due to Covid-19 disruption impacting consumer demand. People curtailed discretionary spending and focused on essentials and precautionary savings due to the level of uncertainty. Consequently, in FY21, India's economy contracted by 7.3%. In 2020, the global economy contracted by 3.3%. RBI cut its FY22E economic growth forecast for India to 9.5% from 10.5% estimated earlier, due to negative impact of second Covid wave. The localized lockdowns not only hampered retail industry sales, but also disrupted the supply chain at the backend. However, the rollout of the vaccination drive and opening up of markets across the major economies will boost sentiment globally.

Key Holders

Category of Shareholder (%)	FY2021	FY2020
Promoter Holding	48.32	48.32
Public		
i) Mutual Funds	12.07	8.38
ii) Banks/FIs	0.79	0.06
iii) Alternate Investment Funds	-	0.70
iv)Insurance companies	-	0.89
v) Foreign Portfolio Investors	25.88	29.18
vi)Central/State Govt	-	0.27
Non-Institutions	12.94	12.20
Total	**100.00**	**100.00**

Details of shareholders holding more than 5% shares

Name of Shareholder (%)	FY2021	FY2020
Nari Genomal	16.10	16.10
Ramesh Genomal	16.10	16.10
Sunder Genomal	16.10	16.10
Nalanda India Fund Limited	7.56	7.56
SBI Focused Equity Fund	5.64	-

Source: Company, DART

Remuneration

- The percentage increase in the median remuneration of employees in FY21 was 10.1%. There were 21,280 permanent employees on the rolls of company.
- In FY21, average percentage decrease made in the salaries of employees other than the managerial personnel was 1.53%. However, average managerial remuneration declined 19.9%.
- During the year, the company has introduced Variable Pay ranging from 10% to 30% of the CTC, depending on the grade which commences from Assistant Manager to CEO and the Dy. Managing Director. Variable Pay will be paid based on the overall performance of the company. Variable pay for FY21 will be paid in FY22. Hence, there is significant drop in percentage of increase in remuneration for the Executive Directors and KMP.

Industry Analysis

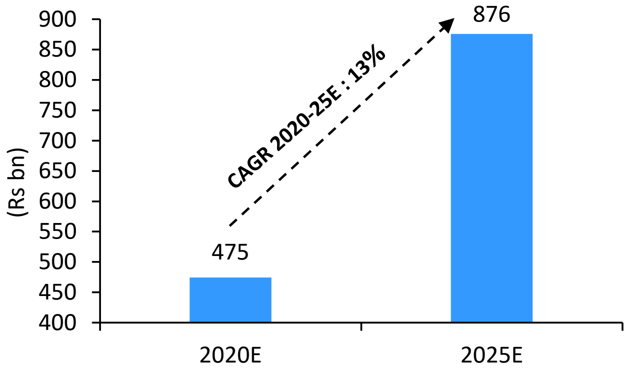
Indian Innerwear market

- Traditionally, the innerwear market was largely fragmented and unorganized. But, in last few years the organized innerwear segment has shown promising growth in both men's and women's categories.
- The trend of lower spending on innerwear is visible across both men's and women's segments with gaps of over 90% against countries like Thailand and China, suggesting a larger leeway for growth.
- The Indian innerwear market currently estimated to be worth Rs 475bn accounts for ~9-10% of the total domestic fashion retail market. It is expected to grow at a CAGR of 13% during FY20-25E.
- Innerwear has graduated from being just a functional category to a category that offers additional fashion quotient. It is shifting from a price sensitive category to a brand sensitive category.
- The **men's innerwear segment**, which is currently worth Rs 139bn, is projected to grow at a CAGR of 10.3% to reach Rs 226bn by FY25E. It contributes 29% of total innerwear market and is characterized by the presence of numerous Indian and international brands. The men's innerwear segment is largely dominated by organized players (~60%).
- Given a variety of design options and innovations, the **women's innerwear segment** (~68% of total innerwear market) is more dynamic and includes a wide range of offerings. It is likely to grow at a faster pace compared to men's innerwear segment, at a CAGR of 14% from Rs 321bn in FY20 to Rs 621bn in FY25E. This is attributed to growing number of working women and rising fashion consciousness.

Kids wear market

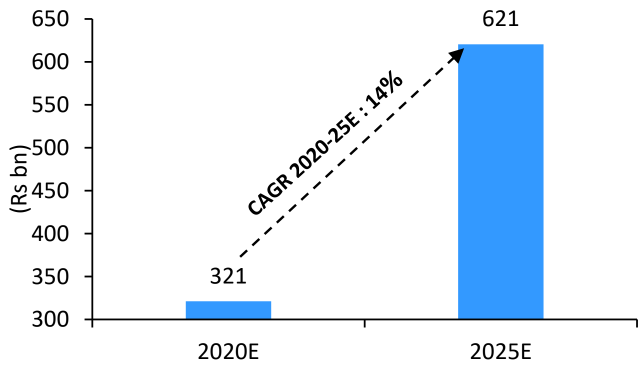
The **kids wear** market, is highly unorganized and fragmented, with a large number of local MBO's and regional players. India has the world's largest young population in the age group of 0-14, and accounts for 27% of the total population. Moreover, with growing trend of nuclear family system, increased spending on children, greater brand awareness among kids, the kids wear market in India which is worth Rs 1022bn in 2020, is expected to grow at a CAGR of 10% in the next 5 years. Uniforms, t-shirts/shirts and bottom wear are the major categories contributing at 37%, 24% and 18% of the overall kids wear market in FY20.

Exhibit 1: Indian Innerwear Market



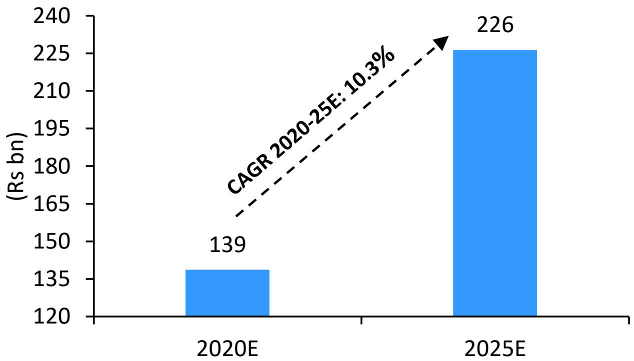
Source: DART, Company

Exhibit 2: Womens Innerwear Market



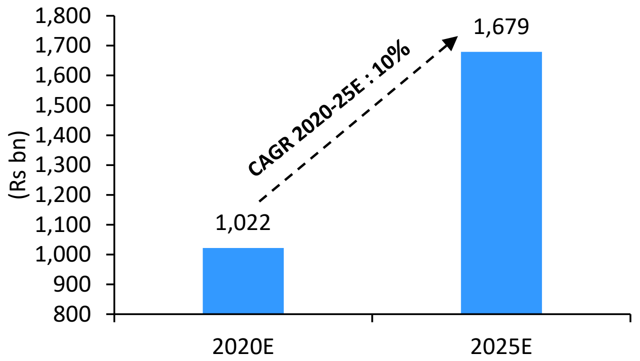
Source: DART, Company

Exhibit 3: Mens Innerwear Market



Source: DART, Company

Exhibit 4: Total Kids wear Market



Source: DART, Company

DART View: Innerwear industry is likely to witness pent up demand with lifting of lockdown restrictions. However, innerwear being a discretionary product, consumers may tend to be cautious in their purchase decisions impacting overall demand. In the long term, with rising urbanisation, growing disposable income, and increasing consumer preference for branded products, the innerwear industry is likely to emerge as a promising retail segment. We expect growth in the innerwear market to be driven by women's segment in the next decade, as branded players focus on capturing market share from the unorganized players.

Covid impacts Speedo sales

- The Speedo brand has achieved a turnover of ` 26mn in FY21 as against Rs 354mn in FY20. This was due to Covid-19 led restrictions for swimming pools in many apartment complexes and pools in clubs, hotels and schools.
- As on 31st March 2021, Speedo brand is available in 1,300+ stores, 34 EBOs and 15 Large Format Stores spread across 230+ cities.

Other Developments

- All manufacturing units of the company, including the new units, have been certified by Worldwide Responsible Accredited Production (WRAP). 4 of its units certified with Platinum standard and all other units are certified with Gold standard. In Dec'20, WRAP re-certified Page Industries facility to be socially compliant, months after allegations of human rights violations at the factory.
- E-commerce sales continued to gain momentum in FY21 with contribution to sales increasing to 8% compared to ~4% in FY19 (Pre Covid).
- **Addition of facilities-** Page is working towards doubling its installed capacity from the existing 260 mn pieces in the next 4-5 years. The company is adding 1 lakh sft in Hassan, Karnataka for raw material storage, raw material quality and elastic preparatory processes. The facility is expected to be commissioned in H2FY22. Page is looking to set up a manufacturing facility for Men's innerwear- Modern Classic vertical in Odisha. Ground levelling activity has been progressing well and the project is expected to be completed by FY23E.
- **New launches-** During the year, company launched face masks and unisex caps. It also launched a range of athleisure products, and new collection including jeggings, jogger, track pants for Kids.
- Under Project AARAMBH, the company has also tied up with one of the trusted partner -DHL at Attibele- Anekal MCS facility for 3PL Warehouse Outsourcing model with -. It caters to both, E-commerce and channel distribution business requirements.

Financial Analysis

Profit & Loss Analysis

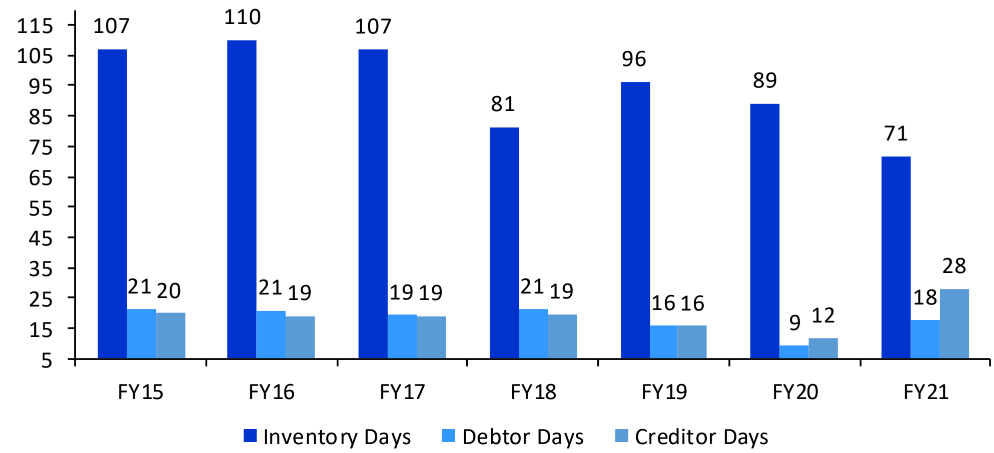
- **Revenue -** Despite challenging business environment in H1FY21, Page's revenue declined mere 3.8% from Rs 29.5 bn in FY20 to Rs 28.3bn in FY21. While volume growth declined 12% YoY, average realization increased 9% YoY (Rs Rs 191/ piece).
- Strong growth in athleisure wear, pick-up in E-com and price hikes aided revenue growth. The company exhibited volume decline in men's and women's category during the year, however athleisure and kids category registered growth. We expect volume growth to pick up as the markets re-open post second Covid-19 wave.
- **Gross margin** (includes material, direct factory overheads) expanded by 50bps YoY to 50.9% in FY21 mainly due to benign RM costs in H1, price pass on and favourable product mix. Due to sharp increase in yarn prices, Page implemented 4-5% price increase in Q4FY21.
- **Operating expenses-** Employee expenses rose 6.0% from Rs 5,317 mn in FY20 to Rs 5,637mn in FY21 (19.9% of sales). Advertising expenses de-grew 67.4% YoY to Rs 318mn in FY21 (1.1% of sales compared to average of 3.5-4% historically).
- **EBITDA** declined 1.1% YoY to Rs 5,266mn in FY21**.** This is mainly attributed to negative operating leverage due to nationwide lockdown during H1.
- **EBITDA margin** expanded 50bps to 18.6% as 180bps increase in employee cost was offset by 50/190bps decline in RM/ other expenses respectively. While A&P expenses will normalize as economy stabilises, we expect margins to expand 200 bps to 21.5% by FY23E with cost rationalization, improved product mix and calibrated price increases.
- **Profit before tax** registered a de-growth of 1.9% YoY to Rs 4,534 mn in FY21.
- **Profit after tax** was flat at Rs 3,406 mn in FY21. Net profit margin increased by 30bps YoY to 12.0%. EPS stood at Rs 305 in FY21 from Rs 308 last year.

Balance Sheet and Cash Flow Analysis

- **Net block** declined 4.7% YoY to Rs 3.8bn in FY21. Fixed asset turnover remained stable at 7.3x in FY21.
- **Borrowing** decreased 23% YoY to Rs 1,269 mn (including lease liabilities) in FY21. The company has lease contracts for its factories and offices used in its operations. It has also sub-leased few of the EBO's across India. The company repaid entire outstanding loans in FY21.
- **Cash and bank balances** increased from Rs 1,169 mn in FY20 to Rs 4,349mn. Deposits with original maturity of more than three months but less than one year amounted to Rs 3,950mn in FY21.
- **Dividend**- Page industries declared and paid two interim dividends during FY21 amounting to Rs 2,787mn. The Board has not recommended any final dividend. Excluding dividend tax, the DPS stood at Rs 215 compared to Rs 202 last year. This translated to dividend payout of 70% in FY21 from 66% in FY20.
- **Working capital** days in FY21 stood at 77 days compared to 68 days the previous year. Working capital turnover was 4.7x in FY21 from 5.3x in FY20.

- **Inventories** decreased by 22.8% YoY to Rs 5.5 bn in FY21 as against Rs 7.2 bn in FY20. Inventory days reduced to 71 days in FY21 from 89 days in FY20 due to lockdown situation. Inventory turnover ratio stood at 5.1x for FY21 compared to 4.1x in FY20. We believe stronger than expected demand in Q4 led to lower inventory of finished goods. Inventory levels are likely to increase going ahead. We believe that the company's Auto Replenishment System helped control inventory levels.
- **Debtors** increased by 85.8%, from Rs 0.7bn in FY20 to Rs 1.4bn in FY21. Consequently, debtor days increased from 9 days to 18 days in FY21.
- **Trade payables** increased from Rs 0.9 bn in FY20, to Rs 2.2 bn in FY21. Payables increased from 12 days in Mar'20 to 28 days in Mar'21 due to pre-booking some of raw material due to the certain disruptions and shortages in supply.
- **Capital Expenditure** decreased to Rs 135mn from Rs 744mn in FY20. Page is looking at doubling its capacity of ~260mn pieces in next 4-5 years, through greenfield expansion projects in Andhra Pradesh and Karnataka.
- **Cash flow from operations** increased 37.3% YoY to Rs 7.0bn. FCF increased 57.5% YoY to Rs 6.9bn. We expect Page to generate FCF of Rs 4.6bn over FY21-23E.
- In FY21, **ROE and ROCE** declined by 300bps and 380bps YoY to 40.0% and 37.1% respectively, mainly due to dip in profitability during the year. We expect return ratios to average 42% in next two years with improvement in margins.

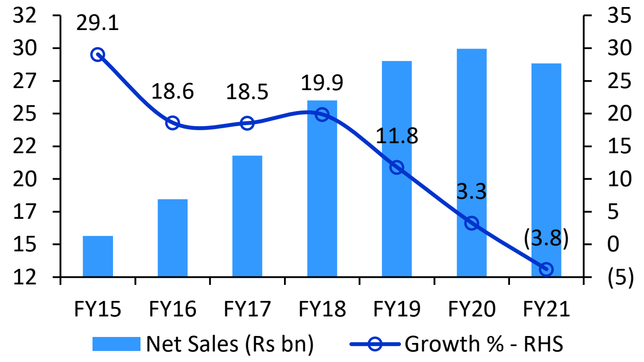
Exhibit 5: Working capital days



Source: DART, Company

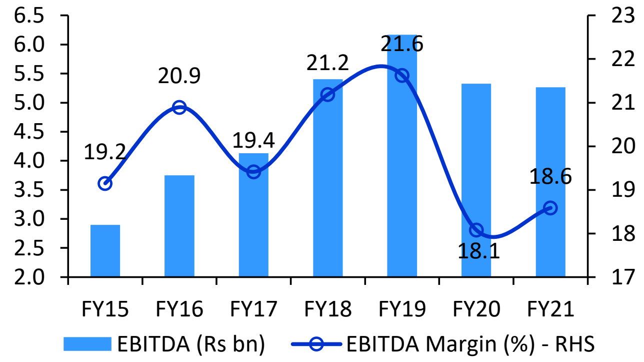
Financial Metrics and Charts

Exhibit 6: Sales Trend



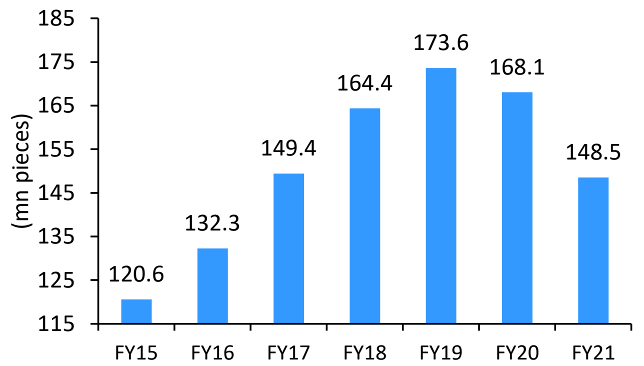
Source: DART, Company

Exhibit 7: EBITDA and EBITDA Margin



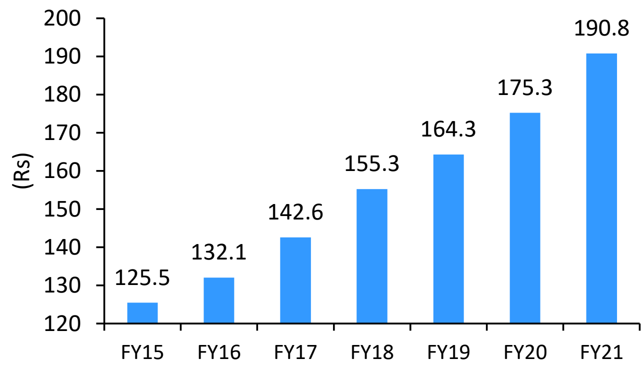
Source: DART, Company

Exhibit 8: Total Volume



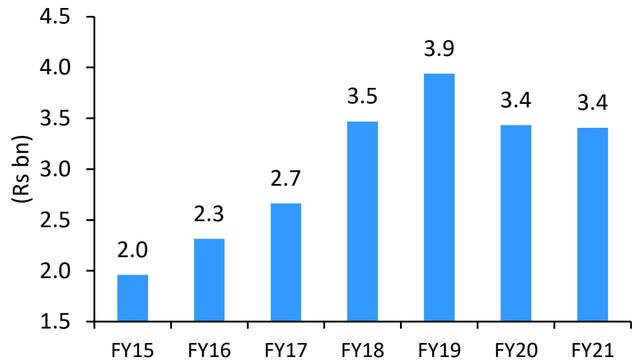
Source: DART, Company

Exhibit 9: Realization



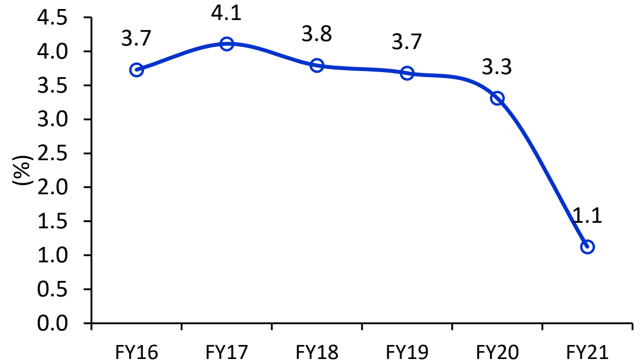
Source: DART, Company

Exhibit 10: Net Profit



Source: DART, Company

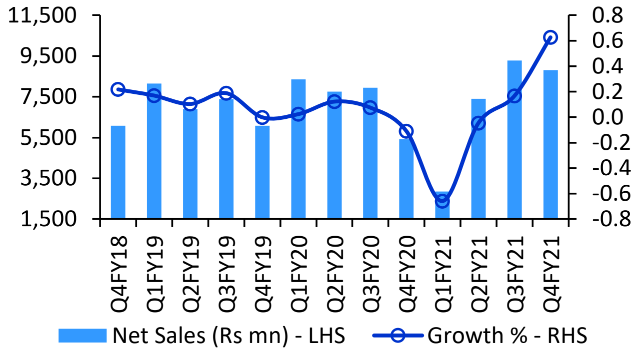
Exhibit 11: Ad Spend



Source: DART, Company

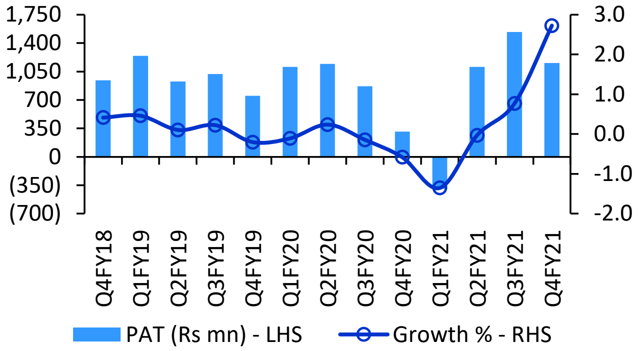
Quarterly Charts

Exhibit 12: Trend in Net Sales (YoY)



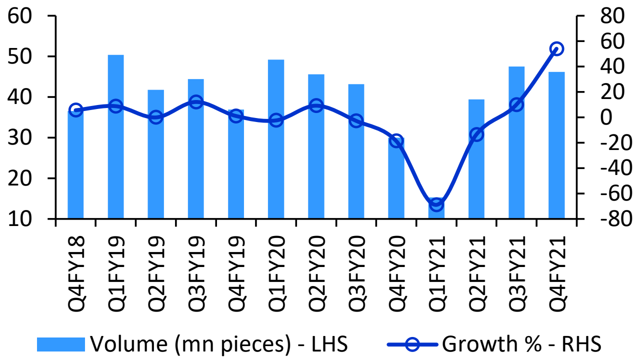
Source: DART, Company

Exhibit 13: Trend in PAT Growth (YoY)



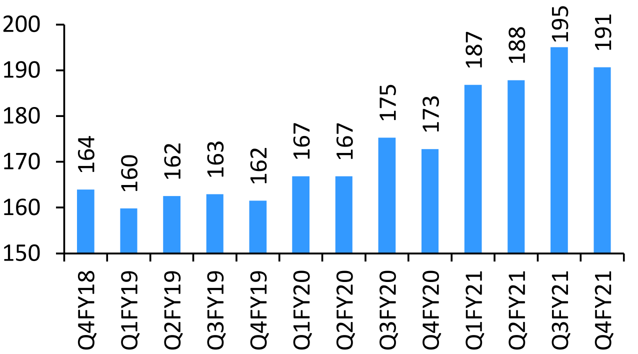
Source: DART, Company

Exhibit 14: Trend in Volume Growth



Source: DART, Company

Exhibit 15: Trend in Blended Realization (Rs/piece)



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	**29,455**	**28,330**	**31,760**	**38,325**
Total Expense	**24,130**	**23,064**	**25,513**	**30,096**
COGS	14,609	13,917	15,365	18,083
Employees Cost	5,317	5,638	5,919	6,511
Other expenses	4,204	3,509	4,228	5,502
EBIDTA	**5,326**	**5,266**	**6,247**	**8,229**
Depreciation	614	629	635	643
EBIT	**4,712**	**4,637**	**5,612**	**7,586**
Interest	339	297	338	342
Other Income	246	195	214	236
Exc. / E.O. items	0	0	0	0
EBT	**4,620**	**4,534**	**5,488**	**7,480**
Tax	1,188	1,128	1,400	1,907
RPAT	3,432	3,406	4,089	5,572
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**3,432**	**3,406**	**4,089**	**5,572**

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	112	112	112	112
Minority Interest	0	0	0	0
Reserves & Surplus	8,087	8,737	10,912	13,877
Net Worth	**8,199**	**8,849**	**11,024**	**13,988**
Total Debt	1,649	1,269	1,269	1,269
Net Deferred Tax Liability	2	0	0	0
Total Capital Employed	**9,850**	**10,118**	**12,293**	**15,258**
Applications of Funds				
Net Block	**4,055**	**3,863**	**4,028**	**4,185**
CWIP	287	278	278	278
Investments	0	0	0	0
Current Assets, Loans & Advances	**10,073**	**12,179**	**12,710**	**15,663**
Inventories	7,186	5,549	6,787	8,190
Receivables	738	1,371	1,537	1,855
Cash and Bank Balances	1,169	4,349	2,820	3,728
Loans and Advances	980	910	1,566	1,890
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	**4,566**	**6,202**	**4,722**	**4,868**
Payables	938	2,175	1,180	1,388
Other Current Liabilities	3,628	4,027	3,543	3,480
sub total				
Net Current Assets	5,507	5,977	7,987	10,795
Total Assets	**9,850**	**10,118**	**12,293**	**15,258**

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	50.4	50.9	51.6	52.8
EBIDTA Margin	18.1	18.6	19.7	21.5
EBIT Margin	16.0	16.4	17.7	19.8
Tax rate	25.7	24.9	25.5	25.5
Net Profit Margin	11.7	12.0	12.9	14.5
(B) As Percentage of Net Sales (%)				
COGS	49.6	49.1	48.4	47.2
Employee	18.1	19.9	18.6	17.0
Other	14.3	12.4	13.3	14.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	13.9	15.6	16.6	22.2
Inventory days	89	71	78	78
Debtors days	9	18	18	18
Average Cost of Debt	28.5	20.4	26.6	26.9
Payable days	12	28	14	13
Working Capital days	68	77	92	103
FA T/O	7.3	7.3	7.9	9.2
(D) Measures of Investment				
AEPS (Rs)	307.8	305.5	366.7	499.8
CEPS (Rs)	362.8	361.9	423.7	557.4
DPS (Rs)	202.1	214.9	146.7	199.9
Dividend Payout (%)	65.7	70.4	40.0	40.0
BVPS (Rs)	735.3	793.6	988.7	1254.6
RoANW (%)	43.0	40.0	41.2	44.6
RoACE (%)	40.9	37.1	39.5	42.9
RoAIC (%)	56.0	64.2	73.6	72.2
(E) Valuation Ratios				
CMP (Rs)	32909	32909	32909	32909
P/E	106.9	107.7	89.7	65.8
Mcap (Rs Mn)	366,936	366,936	366,936	366,936
MCap/ Sales	12.5	13.0	11.6	9.6
EV	367,416	363,857	365,386	364,478
EV/Sales	12.5	12.8	11.5	9.5
EV/EBITDA	69.0	69.1	58.5	44.3
P/BV	44.8	41.5	33.3	26.2
Dividend Yield (%)	0.6	0.7	0.4	0.6
(F) Growth Rate (%)				
Revenue	3.3	(3.8)	12.1	20.7
EBITDA	(13.7)	(1.1)	18.6	31.7
EBIT	(19.6)	(1.6)	21.0	35.2
PBT	(23.8)	(1.9)	21.0	36.3
APAT	(12.9)	(0.8)	20.1	36.3
EPS	(12.9)	(0.8)	20.1	36.3

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	5,130	7,043	1,522	4,658
CFI	(744)	(135)	(800)	(800)
CFF	(3,658)	(3,728)	(2,252)	(2,950)
FCFF	4,386	6,908	722	3,858
Opening Cash	441	1,169	4,349	2,820
Closing Cash	1,169	4,349	2,820	3,728

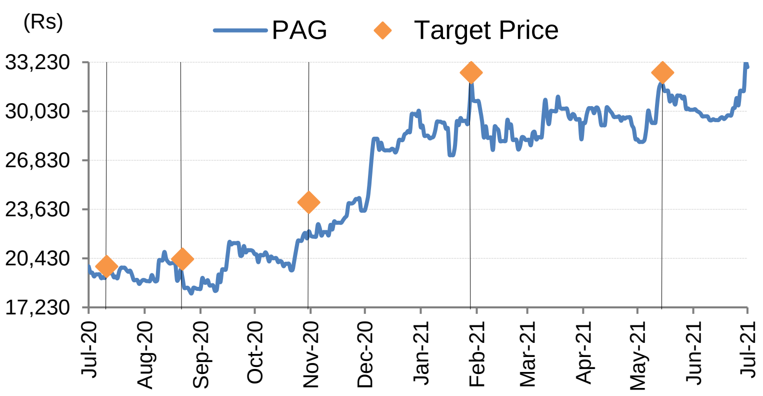
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jul-20	Reduce	19,900	19,598
Sep-20	Reduce	20,380	19,163
Nov-20	Accumulate	24,082	22,195
Feb-21	Accumulate	32,552	31,934
May-21	Accumulate	32,552	31,764

*Price as on recommendation date

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I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

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