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Company update and TP
change

Consumer Staples &
Discretionary

Target price: Rs39,500

Target price revision

Rs39,500 from Rs41,000

Shareholding pattern

(%)	Sep '22	Dec '22	Mar '23
Promoters	46.1	46.1	46.1
Institutional investors	43.9	44.3	44.3
MFs and others	15.2	15.0	16.6
Banks/Ins. Co.	2.7	3.9	4.5
FII	26.0	25.4	23.2
Others	10.0	9.6	9.6

Source: NSE

Target price revision

Rs39,500 from Rs41,000

ESG disclosure score

Year	2021	2022	Chg
ESG score	56.3	54.0	(2.3)
Environment	44.9	38.2	(6.8)
Social	32.7	32.7	0.0
Governance	91.1	91.1	0.0

Note - Score ranges from 0 - 100 with a higher score
indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

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INDIA

Page Industries

HOLD

Maintain

More challenges (vs. opportunity) in women's innerwear segment

Rs38,568

In this report, we present our primary research on 208 brands in both men and women innerwear segment, effectively, analysing 26k SKUs. Observations:

(1) competition in women innerwear segment is 1.6x higher (148 brands) than men (90 brands), primarily led by MNC retailers (M&S, H&M etc) and other D2C brands (Amante, Clovia, Zivame etc),

(2) Jockey is the only top brand that competes in both men and women innerwear segment with same brand name (out of 208 brands, only 30 brands follow similar strategy – none of them are in top 10 list). We believe having specialist brand image is imperative to drive differentiation in women-wear segment,

(3) of the SKUs which we analysed: ASP in women's innerwear (at Rs528) is 22% higher than ASP in men's innerwear – implying scope for premiumisation,

(4) PAGE has over-indexed its portfolio in women's innerwear at a value price point (~Rs260: lowest in our top-10 list vs. Rs340 in men's innerwear). Since in organised space, women innerwear segment is significantly less penetrated (6-8%) vs men's innerwear (~20%), we believe it may be easier for PAGE to drive higher penetration. That said, we reckon that brand perception has a larger role to play (vs price) to drive consistent revenue growth (it has already been 5 years since the launch of Jockey Women,

(5) PAGE continues to dominate men's innerwear segment led by superior price-value equation, specialist brand perception, good customer reviews. However, competition from D2C brand remains strong. **HOLD**.

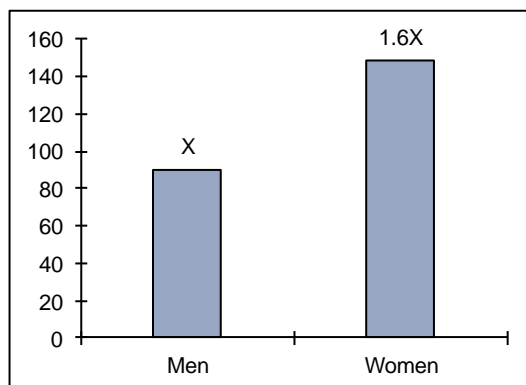
- **Competition in women's innerwear segment is 1.6x of men's innerwear...**: As per our channel checks, we note there are ~148 brands competing in women innerwear segment compared to ~90 brands in men innerwear. This implies 1.6x higher competitive intensity than men innerwear segment.
- **...with higher scope for premiumisation**: Having said that, at industry level, we note average retailing price (~26k SKUs) in women's innerwear is 22% higher (at Rs528) vs men innerwear. This implies higher scope of premiumisation in this segment.
- **However, PAGE is over-indexed to value segment in women innerwear**: PAGE's average selling price at ~Rs262 (our estimate) in women innerwear is ~29% lower than ASP of its men's innerwear segment.

Market Cap	Rs430bn/US\$5.2bn
Reuters/Bloomberg	PAGE.BO/PAG IN
Shares Outstanding (mn)	11.2
52-week Range (Rs)	53796/36267
Free Float (%)	53.9
FII (%)	23.2
Daily Volume (US\$/'000)	12,838
Absolute Return 3m (%)	3.2
Absolute Return 12m (%)	(10.9)
Sensex Return 3m (%)	6.7
Sensex Return 12m (%)	13.5

Year to March	FY22	FY23	FY24E	FY25E
Revenue (Rs mn)	38,865	47,886	54,959	64,194
Rec. Net Income (Rs mn)	5,365	5,595	7,120	8,873
EPS (Rs)	481	502	638	796
% Chg YoY	57.5	4.3	27.3	24.6
P/E (x)	80.2	76.9	60.4	48.5
CEPS (Rs)	540	572	690	855
EV/E (x)	54.8	50.6	41.2	34.1
Dividend Yield (%)	0.8	0.6	1.0	1.3
RoCE (%)	37.9	32.3	33.9	34.9
RoE (%)	54.4	45.5	47.3	49.3

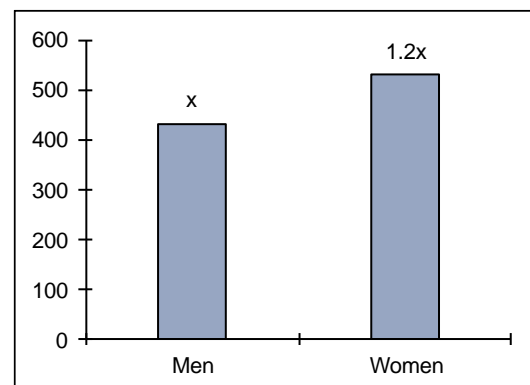
- **In women's innerwear segment, MNC and D2C brands (M&S, Clovia etc) dominate the premium space:** In women's wear industry, there is potential for premiumisation, but it is mostly dominated by multinational retailers like M&S and competition from other direct-to-consumer (D2C) brands such as Amante, Clovia and Zivame. These brands differentiate themselves with a 'specialist' brand image. Among the top 10 competitors in both men's and women's segments, Jockey is the only company that competes with the same brand name. Out of the 208 brands we analysed in men's and women's segments, only 30 brands operate in both the segments using the same brand name.
- **D2C brands are posing tough competition to PAGE in men's innerwear segment:** In innerwear industry, there has been a notable increase in the number of companies entering the direct-to-consumer (D2C) market over the past five years. XYXX is one such company which has aggressively ramped up its revenue to Rs2.4bn in FY23 (~5% of PAGE's FY23 revenue). We estimate revenue from top 5 D2C brands to be ~15% of PAGE's FY23E revenue.
- **Valuation and risks:** We maintain our earnings estimates; modelling revenue / EBITDA / PAT CAGR of 16% / 22% / 26% over FY23-25E. Maintain HOLD with a DCF-based revised target price of Rs39,500 (was Rs41,000 earlier). Key downside risks are underperformance of men's innerwear and sharper-than-expected RM inflation.

Chart 1: Number of companies in innerwear space



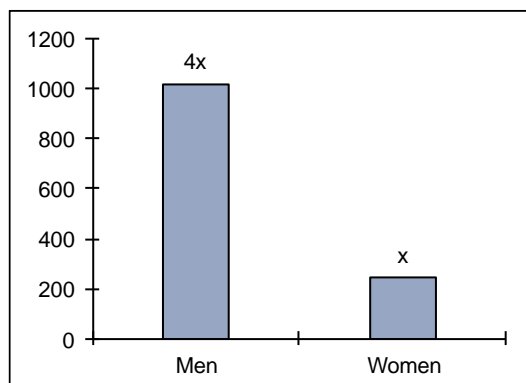
Source: I-Sec research

Chart 2: Average selling price (overall)

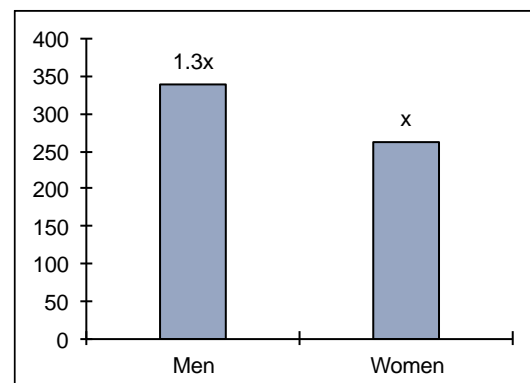


Source: I-Sec research

While women innerwear segment is highly competitive (1.6x more number of company's vs men's innerwear), we note there is more scope of premiumisation in women's wear (vs men's wear).

Chart 3: No. of SKUs: PAGE dominates men's wear with higher offering

Source: I-Sec research

Chart 4: Average selling price: PAGE's offering more value in women-wear

Source: I-Sec research

In women wear, PAGE is participating aggressively at value price with more narrow range of SKUs.

Table 1: Top 10 competitors to PAGE's men innerwear segment

Men	SKUs	No. of customer rating	Avg rating	ASP
Jockey	1016	1,08,852	4.4	339
XYXX	875	29,220	4.2	349
one8 by Virat Kohli	982	24,106	4.1	394
Jack & Jones	371	19,491	4.4	683
Pepe Jeans	369	17,466	4.2	437
Van Heusen	647	14,308	4.4	437
Dollar Bigboss	405	12,748	3.9	245
UnderJeans by Spykar	480	2,897	4.3	456
ONN	1277	901	3.8	242
Lux Cozi	484	188	4.0	183

Source: I-Sec research

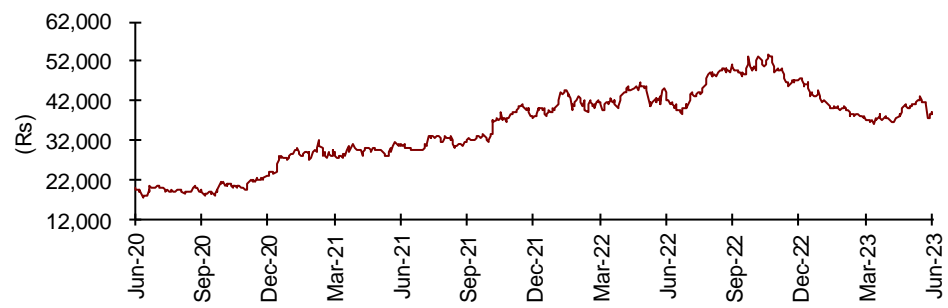
D2C brands are emerging as tough competition to Jockey in men's innerwear segment.

Table 2: Top 10 competitors to PAGE's in women innerwear segment

Women	SKUs	No. of rating	Average of rating	ASP
Jockey	242	62,599	4.4	262
Amante	544	22,803	4.4	300
Clovia	1981	21,305	4.2	499
Marks & Spencer	324	12,965	4.4	490
Leading Lady	316	12,528	4.0	322
Zivame	345	5,524	4.3	356
N-Gal	325	1,595	4.0	598
FashionRack	631	929	4.1	494
Amour Secret	1224	78	4.6	785
La Vie en Rose	576	32	4.5	1,250
NOIRA	309	0	0.0	466

Source: I-Sec research

In women's innerwear segment, while D2C brands are emerging as strong competition to PAGE, MNC retailers like Marks & Spencer dominantly captures the premium space (ASP ~Rs500).

Price chart

Source: Bloomberg

Financial summary

Table 3: Profit and loss statement

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
Net Revenue	38,865	47,886	54,959	64,194
Operating Expenses	31,010	39,377	44,509	51,567
EBITDA	7,855	8,509	10,450	12,627
% margins	20.2	17.8	19.0	19.7
Depreciation & Amortisation	655	781	578	661
Gross Interest	322	413	413	413
Other Income	210	147	56	305
Recurring PBT	7,088	7,463	9,515	11,858
Less: Taxes	1,722	1,869	2,395	2,985
Less: Minority Interest	-	-	-	-
Net Income (Reported)	5,365	5,595	7,120	8,873
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	5,365	5,595	7,120	8,873

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
Assets				
Total Current Assets	15,681	19,646	23,658	29,231
of which cash & cash eqv.	2,835	81	1,228	3,060
Total Current Liabilities & Provisions	9,364	11,936	13,807	16,254
Net Current Assets	6,317	7,710	9,851	12,977
Investments	676	875	903	939
Net Fixed Assets	4,024	4,852	5,350	5,452
Capital Work-in-Progress	653	1,505	1,505	1,505
Total Assets	11,670	14,941	17,609	20,873
Liabilities				
Borrowings	746	1,218	1,218	1,218
Deferred Tax Liability	37	12	22	34
Minority Interest	-	-	-	-
Equity Share Capital	112	112	112	112
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	10,775	13,599	16,257	19,509
Less: Misc. Exp. n.w.o.	-	-	-	-
Net Worth	10,886	13,710	16,369	19,621
Total Liabilities	11,670	14,941	17,609	20,873

Source: Company data, I-Sec research

Table 6: Quarterly trend

(Rs mn, year ending March 31)

	Jun 22	Sep 22	Dec 22	Mar 23
Net sales	13,413	12,550	12,233	9,691
% growth (YoY)	167.4	15.8	2.8	(12.8)
EBITDA	2,978	2,379	1,928	1,343
Margin (%)	22.2	19.0	15.8	13.9
Other income	33	27	16	71
Add: Extraordinaries	-	-	-	-
Adjusted net profit	2,070	1,621	1,237	784

Source: Company data

Table 5: Cashflow statement

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
Operating Cashflow	6,179	6,766	8,055	9,642
Working Capital Changes	(2,910)	(6,782)	(1,013)	(1,317)
Capital Commitments	(980)	(1,657)	(1,077)	(763)
Free Cashflow	2,289	(1,673)	5,965	7,562
Cashflow from Investing Activities	2,168	1,964	56	305
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	-	1,916	-	-
Dividend paid	(3,347)	(2,900)	(4,462)	(5,622)
Chg. in Cash & Bank balance	493	(1,449)	1,147	1,833
Closing cash & balance	890	(559)	1,153	2,986

Source: Company data, I-Sec research

Table 6: Key ratios

(Year ending March 31)

	FY22	FY23	FY24E	FY25E
Per Share Data (Rs)				
EPS	481	502	638	796
Cash EPS	540	572	690	855
Dividend per share (DPS)	300	250	400	504
Book Value per share (BV)	976	1,229	1,468	1,759
Growth (%)				
Net Sales	37.2	23.2	14.8	16.8
EBITDA	49.2	8.3	22.8	20.8
PAT	57.5	4.3	27.3	24.6
DPS	20.0	(16.7)	60.0	26.0
Valuation Ratios (x)				
P/E	80.2	76.9	60.4	48.5
P/CEPS	71.5	67.5	55.9	45.1
P/BV	39.5	31.4	26.3	21.9
EV / EBITDA	54.8	50.6	41.2	34.1
EV / Sales	11.1	9.0	7.8	6.7
Operating Ratios				
Raw Material / Sales (%)	44.0	45.3	45.3	45.3
Employee cost / Sales (%)	18.5	18.4	17.8	16.8
Other exps / Sales (%)	17.3	18.6	17.9	18.3
Other Income / PBT (%)	3.0	2.0	0.6	2.6
Effective Tax Rate (%)	24.3	25.0	25.2	25.2
Working Capital (days)	32.7	58.1	57.3	56.4
Inventory Turnover (days)	91.6	121.6	121.6	121.6
Receivables (days)	15.5	11.1	11.1	11.1
Payables (days)	34.1	21.9	21.9	21.9
Net D/E (x)	(0.3)	(0.0)	(0.1)	(0.2)
Profitability Ratios (%)				
Net Income Margins	13.8	11.7	13.0	13.8
RoACE	37.9	32.3	33.9	34.9
RoAE	54.4	45.5	47.3	49.3
Dividend Payout	62.4	49.8	62.7	63.4
Dividend Yield	0.8	0.6	1.0	1.3
EBITDA Margins	20.2	17.8	19.0	19.7

Source: Company data, I-Sec research

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