

Volume Driven Growth; Maintain HOLD

Est. Vs. Actual for Q2FY25: Revenue – **BEAT**; EBITDA –**BEAT**; PAT – **BEAT**

Changes in Estimates post Q2FY25

FY25E/FY26E – Revenue: -1%/0%; **EBITDA:** 0%/4%; **PAT:** 0%/5%

Recommendation Rationale

- **Volume-led growth:** Despite softer consumer sentiments, Page Industries reported a good set of numbers in Q2FY25, with revenue growing by ~11% YoY, as volume growth stood at 6.7% YoY to 5.52 Cr, driven by a stable operating environment and strong growth in E-com. Gross margins improved by 83 bps YoY to 56.5%, aided by stable input costs (cotton prices), while EBITDA margins saw an impressive 183 bps YoY improvement, fuelled by cost efficiencies, healthier inventory management, and gross margin gains.
- **Margins to remain stable:** The management expects EBITDA margins to hold steady between 19-21%, supported by stable raw material prices and cost efficiencies.
- **Festive boosts and strategic moves spark optimism for gradual recovery:** The management remains cautiously optimistic, noting that while a robust rebound in consumer sentiment is still unfolding, the festive season towards the end of the quarter brought promising indicators of demand recovery. Further, recent initiatives like strategic distribution realignments, new product launches, rapid expansion of the e-commerce channel, and improved inventory management, combined with gradual rural demand recovery, are anticipated to drive growth as market dynamics improve.

Sector Outlook: Cautiously Optimistic

Company Outlook & Guidance: We foresee sustained signs of recovery

Current Valuation: 57x Dec'26 EPS (Earlier valuation: 57x June'26 EPS)

Current TP: Rs 44,500/share (Earlier TP: Rs 41,100/share)

Recommendation: With a 1% downside from the CMP, we maintain our HOLD rating on the stock.

Financial Performance

Page Industries posted a good set of numbers in Q2FY25. Revenue growth showed double-digit growth of ~11% YoY (6.7% volume growth), driven by customer engagement, focus on premiumization, and boosts from online shopping festivals. Gross margin improved by 83 bps YoY to 56.5% due to stable input costs. EBITDA stood at Rs 281 Cr, up by ~21% YoY, and EBITDA margins improved by 183 bps to 22.6%, fueled by cost efficiencies, strategic sourcing, healthier inventory management, and gross margin gains. The company reported a PAT of Rs 195 Cr, up ~30% YoY.

Outlook: We appreciate the management's unwavering focus on expanding distribution through multiple channels (MBOs, EBOs, LFS) and smaller cities, along with their consistent commitment to implementing ARS across the retail network. This strategy is likely to make Page Industries more flexible and resilient compared to its competitors in the long run. However, short-term challenges, such as a subdued demand environment and increased competitive intensity, are expected to constrain volume growth.

Valuation & Recommendation: We maintain our HOLD rating on the stock due to the sharp run-up of ~33% from Apr'24. Furthermore, we are looking for sustained signs of recovery before reassessing our position. We have revised our target price to Rs 44,500/share as we roll over our estimates to Dec'26 EPS.

Key Financials (Standalone)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	1,246	(2.4)	10.8	1,292	(3.6)
EBITDA	281	15.7	20.5	266	6.0
EBITDA Margin (%)	22.6	354bps	183bps	20.5	204bps
Net Profit	195	18.2	29.9	172	13.4
EPS (Rs)	175.1	18.2	29.9	154	13.4

Source: Company, Axis Research

(CMP as of 07th November 2024)

CMP (Rs)	45,105
Upside /Downside (%)	-1%
High/Low (Rs)	46817/33,100
Market cap (Cr)	50,310
Avg. daily vol. (6m)Shrs. '000	24.78
No. of shares (Cr)	1

Shareholding (%)

	Mar-24	Jun-24	Sep-24
Promoter	45.1	45.0	44.3
FIIs	20.9	20.6	20.8
MFs / UTI	19.3	20.8	21.9
FIs / Banks	0.0	0.0	0.0
Others	14.8	13.6	13.0

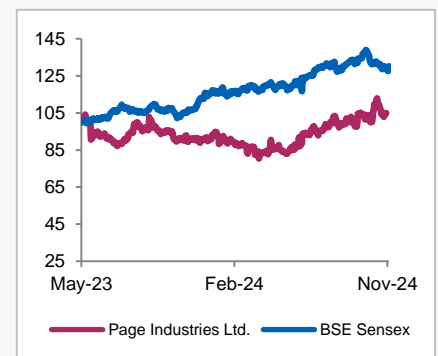
Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Revenue	5,098	5,727	6,433
EBITDA	1,001	1,185	1,349
Net Profit	662	788	899
EPS (Rs)	593.3	706.9	806.2
PER (x)	76.0	63.8	55.9
EV/EBITDA (x)	49.9	42.0	36.7
P/BV (x)	27.3	22.9	19.1
ROE (%)	35.9	35.9	34.1

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-1%	0%
EBITDA	0%	4%
PAT	0%	5%

Relative Performance



Source: Ace Equity, Axis Securities

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Other Concall Highlights

- **Expanding reach with a robust network:** By the end of Sep'24, the company operated an extensive network comprising 107,702 MBOs, 1,387 EBOs, and 1,153 departmental stores. The management has set a target of adding 150-160 new EBO stores by the end of FY25.
- **E-Commerce growth accelerates:** The E-Commerce segment surged by 41% in H1FY25, highlighting the online potential, with quick commerce channels adding momentum to digital growth.
- **Working capital:** The company's working capital days improved to 61 days, down from 75 days in FY24, reflecting tighter inventory management. Further, the management highlighted that inventory levels have stabilized across most categories, though a few areas still require optimization at the distribution level. The reduction in working capital is primarily inventory-driven, with inventory days now down to approximately 68, a significant drop from the beginning of the year. Management further expects to maintain working capital days around the current 61-day level moving forward.
- **Athleisure category:** The Athleisure category stands out as a high-potential segment, with sustained consumer interest and demand fuelling optimism for steady growth ahead.

Key Risks to Our Estimates and TP

- Increase in competitive intensity, weakening of demand environment.

Change in Estimates

	Old		New		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	5,147	5,728	5,098	5,727	-1%	0%
EBITDA	1,004	1,139	1,001	1,185	0%	4%
PAT	664	753	662	788	0%	5%
EPS	595.6	675.4	593.3	706.9	0%	5%

Source: Company, Axis Securities

Results Review

Rs Cr	Q2FY24	Q1FY25	Axis Est.	Q2FY25	YoY (%)	QoQ (%)	Axis Est. Var (%)
Net Sales	1,125	1,278	1,292	1,246	10.8	(2.4)	(3.6)
Gross Profit	626	692	711	704	12.4	1.8	(1.0)
<i>Gross Margin (%)</i>	55.7	54.1	55.0	56.5	83 bps	234 bps	149 bps
Employee Expenses	204	201	219	205	0.7	2.0	(6.4)
Other Expenses	189	247	226	217	15.0	(12.1)	(3.9)
EBITDA	234	243	265	281	20.5	15.7	6.0
<i>EBITDA Margin (%)</i>	20.8	19.0	20.5	22.6	183 bps	354 bps	204 bps
Oth. Inc	2	13	2	15	773.1	12.8	632.3
Interest	11	12	11	11	(2.4)	(6.6)	(0.6)
Depreciation	25	22	24	23	(8.2)	2.4	(4.5)
PBT	199	222	233	262	31.6	18.0	12.8
Tax	49	57	61	67	36.9	17.4	11.1
PAT	150	165	172	195	29.9	18.2	13.4
EPS	135	148	154	175	29.9	18.2	13.4

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net sales	4,582	5,098	5,727	6,433
Growth, %	(2.8)	11.3	12.3	12.3
Other operating income	-	-	-	-
Total income	4,582	5,098	5,727	6,433
Raw material expenses	(2,085)	(2,293)	(2,522)	(2,825)
Employee expenses	(804)	(892)	(995)	(1,109)
Other Operating expenses	(821)	(912)	(1,024)	(1,150)
EBITDA (Core)	872	1,001	1,185	1,349
Growth, %	1.1	14.7	18.5	13.8
Margin, %	19.0	19.6	20.7	21.0
Depreciation	(91)	(97)	(114)	(132)
EBIT	781	904	1,071	1,217
Growth, %	(0.4)	15.7	18.5	13.6
Margin, %	17.1	17.7	18.7	18.9
Interest paid	(45)	(47)	(49)	(52)
Other Income	20	23	26	30
Non-recurring Items	-	-	-	-
Pre-tax profit	757	880	1,048	1,195
Tax provided	(187)	(218)	(259)	(296)
Profit after tax	569	662	788	899
Growth, %	(0.4)	16.3	19.1	14.0
Net Profit (adjusted)	569	662	788	899

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Cash & bank	321	383	542	789
Marketable securities at cost	0	0	0	0
Debtors	159	177	198	223
Inventory	1,170	1,302	1,463	1,643
Other current assets	226	226	226	226
Total current assets	1,876	2,087	2,428	2,880
Investments	0	0	0	0
Gross fixed assets	800	960	1,120	1,280
Less: Depreciation	-312	-409	-523	-655
Add: Capital WIP	239	239	239	239
Net fixed assets	726	790	835	863
Non-current assets	71	71	71	71
Total assets	2,683	2,957	3,344	3,824
Current liabilities	938	966	1,000	1,038
Provisions	0	0	0	0
Total current liabilities	938	966	1,000	1,038
Non-current liabilities	147	147	147	147
Total liabilities	1,086	1,114	1,148	1,186
Paid-up capital	11	11	11	11
Reserves & surplus	1,586	1,833	2,185	2,627
Shareholders' equity	1,597	1,844	2,197	2,638
Total equity & liabilities	2,683	2,957	3,344	3,824

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Pre-tax profit	757	880	1,048	1,195
Depreciation	91	97	114	132
Chg in working capital	152	(122)	(148)	(167)
Total tax paid	(162)	(218)	(259)	(296)
Other operating activities	-	-	-	-
Cash flow from operating activities	838	637	755	865
Capital expenditure	(182)	(160)	(160)	(160)
Other investing activities	0	-	-	-
Cash flow from investing activities	(182)	(160)	(160)	(160)
Free cash flow	656	477	595	705
Dividend (incl. tax)	(346)	(415)	(436)	(457)
Other financing activities	-	-	-	-
Cash flow from financing activities	(346)	(415)	(436)	(457)
Net chg in cash	310	62	159	247
Opening cash balance	8	321	383	542
Closing cash balance	321	383	542	789

Source: Company, Axis Securities

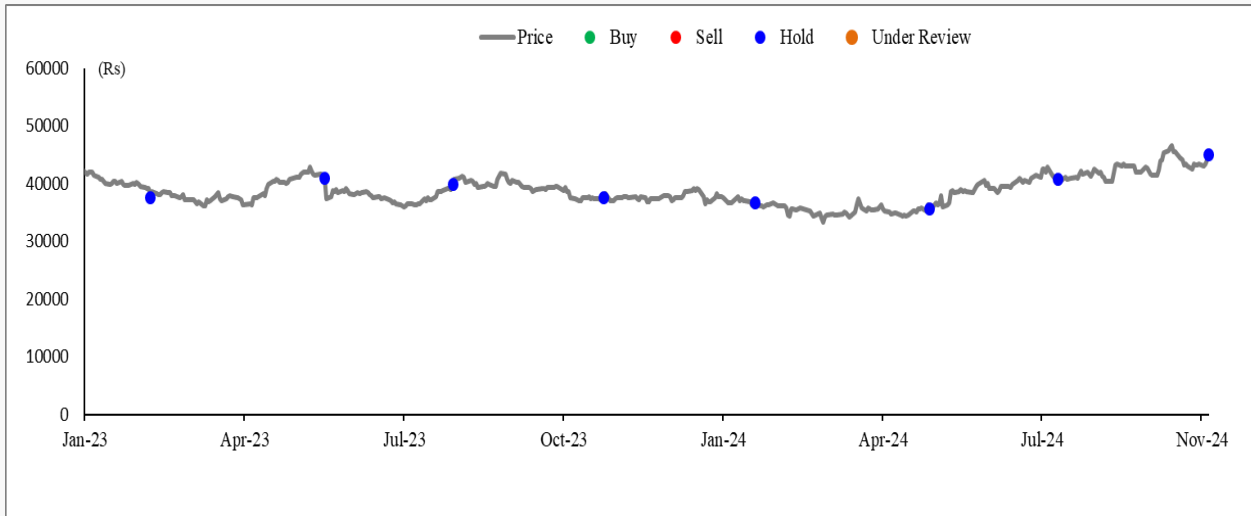
Ratio Analysis

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
EPS (INR)	510.3	593.3	706.9	806.2
Growth, %	(0.4)	16.3	19.1	14.0
FDEPS (INR)	510.3	593.3	706.9	806.2
CEPS (INR)	591.7	680.1	809.4	924.5
CFPS (INR)	745.5	550.3	652.8	747.9
DPS (INR)	310.0	372.0	390.6	410.1
Return ratios				
Return on assets (%)	22.8	25.1	26.6	26.5
Return on equity (%)	35.6	35.9	35.9	34.1
Return on capital employed (%)	37.9	37.9	38.7	37.1
Turnover ratios				
Asset turnover (x)	3.7	4.0	3.9	3.8
Sales/Total assets (x)	1.7	1.8	1.8	1.8
Sales/Net FA (x)	6.7	6.7	7.0	7.6
Working capital/Sales (x)	0.1	0.1	0.2	0.2
Receivable days	12.6	12.6	12.6	12.6
Inventory days	93.2	93.2	93.2	93.2
Payable days	21.6	21.8	22.1	22.2
Working capital days	49.1	52.8	56.5	59.7
Liquidity ratios				
Current ratio (x)	2.0	2.2	2.4	2.8
Quick ratio (x)	0.8	0.8	1.0	1.2
Interest cover (x)	17.4	19.2	21.6	23.4
Net debt/Equity (%)	(20.1)	(20.8)	(24.7)	(29.9)
Valuation				
PER (x)	88.4	76.0	63.8	55.9
PEG (x) - y-o-y growth	(245.6)	4.7	3.3	4.0
Price/Book (x)	31.5	27.3	22.9	19.1
EV/Net sales (x)	10.9	9.8	8.7	7.7
EV/EBITDA (x)	57.3	49.9	42.0	36.7
EV/EBIT (x)	64.0	55.2	46.5	40.7

Source: Company, Axis Securities

Page Industries Price Chart and Recommendation History



Date	Reco	TP	Research
10-Feb-23	HOLD	41,500	Result Update
26-May-23	HOLD	40,000	Result Update
11-Aug-23	HOLD	40,400	Result Update
10-Nov-23	HOLD	36,400	Result Update
09-Feb-24	HOLD	34,500	Result Update
24-May-24	HOLD	36,200	Result Update
09-Aug-24	HOLD	41,100	Result Update
08-Nov-24	HOLD	44,500	Result Update

Source: Axis Securities Research

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